

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

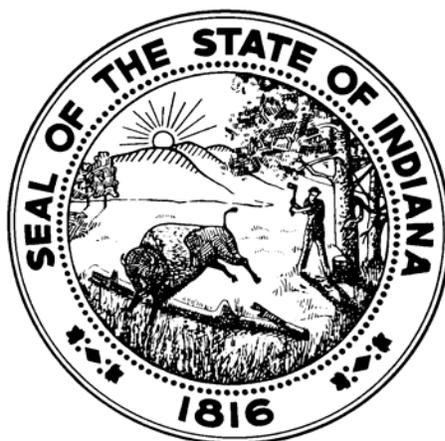
EXAMINATION REPORT

OF

TOWN OF GREENVILLE

FLOYD COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

10/09/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jack Travillian	01-01-04 to 12-31-07
President of the Town Council	Dave Matthews Talbotte Richardson	01-01-05 to 12-31-05 01-01-06 to 12-31-07
Superintendent of Water Utility	Gary W. Getrost	01-01-05 to 12-31-07
Utility Office Manager	Amy Stone	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF GREENVILLE, FLOYD COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Greenville (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 9, 2007

TOWN OF GREENVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 33,332	\$ 50,999	\$ 53,961	\$ 30,370
Motor Vehicle Highway	91,757	19,111	9,441	101,427
Local Road and Street	69,742	8,443	21,471	56,714
Law Enforcement Continuing Education	355	-	-	355
Riverboat	3,247	3,727	400	6,574
Rainy Day	1,520	-	-	1,520
Cumulative Capital Improvement	15,502	1,827	4,000	13,329
Economic Development Income Tax	27,990	4,010	-	32,000
Proprietary Funds:				
Water Utility - Operating	912,298	740,082	642,448	1,009,932
Water Utility - Bond and Interest	12,870	20,889	20,679	13,080
Water Utility - Reserve	15,000	-	-	15,000
Water Utility - Customer Deposit	42,043	5,367	3,612	43,798
Totals	<u>\$ 1,225,656</u>	<u>\$ 854,455</u>	<u>\$ 756,012</u>	<u>\$ 1,324,099</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 30,370	\$ 32,046	\$ 49,457	\$ 12,959
Motor Vehicle Highway	101,427	23,002	10,509	113,920
Local Road and Street	56,714	8,577	209	65,082
Law Enforcement Continuing Education	355	1,000	443	912
Riverboat	6,574	3,719	106	10,187
Rainy Day	1,520	-	1,520	-
Cumulative Capital Improvement	13,329	2,111	16,048	(608)
Economic Development Income Tax	32,000	4,198	-	36,198
Proprietary Funds:				
Water Utility - Operating	1,009,932	721,548	638,235	1,093,245
Water Utility - Bond and Interest	13,080	20,438	20,150	13,368
Water Utility - Reserve	15,000	-	-	15,000
Water Utility - Customer Deposit	43,798	6,353	3,086	47,065
Totals	<u>\$ 1,324,099</u>	<u>\$ 822,992</u>	<u>\$ 739,763</u>	<u>\$ 1,407,328</u>

The accompanying notes are an integral part of the financial information.

TOWN OF GREENVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, public improvements, general administrative services and water.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF GREENVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

<u>Description of Asset</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1980 Water construction	<u>\$ 193,000</u>	<u>\$ 13,000</u>

TOWN OF GREENVILLE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior report, were again present during our examination period:

- (1) Record balances were not reconciled to depository balances during the two year period. The Clerk-Treasurer failed to compare the reconciled bank balance to the official record balance and investigate any variances.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (2) There were a considerable number of posting errors.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (3) Some items, such as bank charges and nonsufficient funds checks, were not entered in the records.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In several instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

RECEIPT ISSUANCE

In some instances, receipts were not issued at the time of the transaction.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GREENVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not prepared for all disbursements.
- (2) Prescribed Town Form 39 (Accounts Payable Voucher), did not always included the check number.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

A payment for \$300 was observed that did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for the money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GREENVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL ERRORS AND DEFICIENCIES

The following deficiencies were noted during the review of payroll:

- (1) The salary ordinances did not include the rate of pay for all employees.
- (2) The rate of pay to some employees did not agree with the amounts approved in the salary ordinances.
- (3) Some employees received payments that were not included in the payroll system.
- (4) General Payroll Form 99 was not always properly approved.
- (5) Time and attendance reports were not maintained for all employees.
- (6) Time and attendance reports were not properly approved.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$25.86 were paid by the Water Utility to the Internal Revenue Service for failure to timely remit federal payroll tax withholdings for the quarter ending September 30, 2004.

Penalties and interest totaling \$62.49 were paid by the Water Utility to the Indiana Department of Workforce Development for failure to timely remit unemployment taxes for the quarters ending March 31, 2004, March 31, 2005, June 30, 2005, and for the 2004 and 2005 annual assessment.

Penalties and interest totaling \$4.12 were paid by the Water Utility to the Indiana Department of Revenue for failure to timely remit state and local payroll tax withholdings for the month December 2004.

Penalties and interest totaling \$382.21 were paid by the Water Utility to the Indiana Department of Revenue for failure to timely remit sales tax for the month of August 2005.

On September 19, 2005, the Clerk-Treasurer, Jack Travillian, was informed that if any additional penalties and interest charges were incurred for any liability periods subsequent to this date, that he could be held personally responsible for the payment of these charges. Subsequent penalties and interest charges of \$3.87 were paid by the Water Utility to the Internal Revenue Service for failure to remit timely federal payroll tax withholdings for the month of June 2006. Additionally, penalties and interest charges totaling \$33.03 were paid by the Water Utility to the Indiana Department of Workforce Development for failure to remit timely unemployment taxes for the quarter ending September 30, 2005, December 31, 2005 and for the 2006 annual assessment.

TOWN OF GREENVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Clerk-Treasurer, Jack Travillian, has been requested to reimburse the Water Utility Operating Fund \$36.90. (See Summary, page 13)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded in the fund ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town does not maintain sufficient records of capital assets for the Town owned capital assets, which also includes Water Utility owned utility plant in service accounts. Records classifying and summarizing capital assets are incomplete. Deletions or disposal of capital assets are not recorded. In addition, inventories of capital assets were not taken so that capital assets on hand could be reconciled back to the capital asset ledger.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Asset Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INDIANA CRIMINAL JUSTICE INSTITUTE – LEAF GRANT

On September 26, 1997, the Town of Greenville was awarded a \$100,000 Law Enforcement Assistance Fund (LEAF) Grant from the Indiana Criminal Justice Institute (ICJI). The LEAF Grant was awarded to the Town of Greenville to pay for the salary, fringe benefits, training and equipment for the Town Marshal during the grant period of November 1, 1997 to December 31, 2000. The grant required the Town to submit biannually a claim voucher requesting funds for the following six months budgeted expenditures. Once the claim was received and approved, the ICJI would release the funds requested to the Town. The grant required all unexpended funds on hand at the end of the grant period to be returned to the ICJI. The Town had received the full grant amount as of October 31, 2000. The grant also required the Town to submit an annual

TOWN OF GREENVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

financial report for the period ending December 31, 1998, 1999, and 2000. The Town filed their final annual financial report with the ICJI on February 1, 2001. The annual report showed expenditures of \$61,765 for the year ending December 31, 2000 and \$11,069 of unexpended funds on hand. The Town returned \$11,069 to the ICJI on March 14, 2001.

The annual financial report submitted to the ICJI for the period ending December 31, 2000, included expenditures of \$31,711.80 that the Town transferred on December 29, 2000, from the Town's "Law Enforcement Assistance Grant 97-LF-110" Fund to the Town's "Payroll" Fund. Of the amount transferred, \$29,449.44 was disbursed from the "Payroll" Fund in 2001 to pay the salary and benefits of the Town Marshal during 2001.

Monies transferred from the "Law Enforcement Assistance Grant 97-LF-110" Fund to the Town's "Payroll" Fund on December 29, 2000, are not allowable expenses under the LEAF Grant and should not have been included as expenses in the annual financial report submitted to the ICJI. The amount transferred does not represent expenses incurred during the grant period of November 1, 1997 to December 31, 2000.

During prior audits, Town Officials had been instructed to contact the ICJI to get this matter resolved. On July 19, 2007, the Clerk-Treasurer contacted a representative of the ICJI and inquired about procedures the Town should take to resolve this situation. The Clerk-Treasurer stated he was told by the ICJI representative that they would have to investigate the situation and that they would get back in contact with him. As of the report date, the Clerk-Treasurer has not heard back from the ICJI and the matter remains unresolved.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GREENVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2007, with Jack Travillion, Clerk-Treasurer; Talbotte Richardson, President of the Town Council; Gary W. Getrost, Superintendent of Water Utility; and Amy Stone, Utility Office Manger. The officials concurred with our findings.

TOWN OF GREENVILLE
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jack Travillian, Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page	\$ 36.90	\$	\$
Paid by Jack Travillian, Clerk-Treasurer			
August 8, 2007, Receipt 4950	<u> </u>	<u>36.90</u>	<u> -</u>
 Totals	 <u>\$ 36.90</u>	 <u>\$ 36.90</u>	 <u>\$ -</u>