

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LYNNVILLE

WARRICK COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
05/17/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sheridan Jones	01-01-11 to 12-31-18
President of the Town Council	Judith Writsel	01-01-11 to 12-31-14
	Eric Erwin	01-01-15 to 12-31-15
	Doris Horn	01-01-16 to 12-31-16
Superintendent of Utilities	Mike Ruedlinger	01-01-11 to 12-31-16



STATE OF INDIANA
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TO: THE OFFICIALS OF THE TOWN OF LYNNVILLE, WARRICK COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Lynnville (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 9, 2016

CLERK-TREASURER
TOWN OF LYNNVILLE
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties, interest, and other charges to the United States Treasury in the amount of \$6,355.41 because the Clerk-Treasurer did not remit payments for federal employment tax on a timely basis.

Similar comments have appeared in prior Reports.

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)

We requested Sheridan Jones, Clerk-Treasurer; reimburse the Town \$6,355.41 for penalties, interest, and other charges paid. (See Summary of Charges, page 8)

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports (AFRs) for each year of the examination period were not filed electronically within 60 days of year end. The AFRs for 2011, 2012, 2013, and 2014 were filed on April 2, 2012, April 25, 2013, March 27, 2014, and April 27, 2014, respectively.

A similar comment appeared in prior report B39807.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

UTILITY RECEIPTS TAX

The Water Utility paid Utility Receipts Tax to the Indiana Department of Revenue during the examination period. However, in 2012 and 2014, the total dollar amount of sales used to calculate the tax only included taxable sales. Utility Receipts Tax is calculated based on both taxable and nontaxable sales.

CLERK-TREASURER
TOWN OF LYNNVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

All questions concerning the law or procedure for paying the utility receipts tax should be directed to the Indiana Department of Revenue, Indiana Government Center North, Indianapolis, Indiana, 46204, telephone number (317) 233-4015. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

We noted six of the ten credit card claims tested had only a credit card statement or purchase order attached as documentation of the amount due. Each claim lacked sufficient itemization of the goods or services purchased. One of the claims had a balance carried forward from the prior month with no supporting documentation to identify what was purchased. Due to the lack of supporting information, the purpose of the disbursements could not be verified.

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)

ADVANCE PAYMENTS

The Town paid compensation to employees in advance of the actual date the services were provided. Payroll checks were distributed, and in some cases cashed or deposited into a bank, before the end of the pay period.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

CLERK-TREASURER
TOWN OF LYNNVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2011	\$1,128
Sp. Fire Protection Equipment	2011	201
LRS	2012	<u>5,764</u>
Total		<u>\$ 7,093</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient because of the following:

1. Federal employment tax was not remitted in a timely manner resulting in \$6,355.41 in penalty, interest, and other charges being assessed and paid.
2. Tax payments and penalties were paid in duplicate.
3. The payroll ledger was not posted up to date.
4. Posting errors occurred and went undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF LYNNVILLE
EXIT CONFERENCE

The contents of this report were discussed on March 9, 2016, with Sheridan Jones, Clerk-Treasurer, and Doris Horn, President of the Town Council.

CLERK-TREASURER
TOWN OF LYNNVILLE
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sheridan Jones, Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 4			
2013	\$ 1,878.23	\$	\$
2014	2,959.87		
2015	1,517.31		
 Payment made by Sheridan Jones, Clerk-Treasurer, March 21, 2016, receipt 12708	 _____	 6,355.41	 _____ -
 Totals	 <u>\$ 6,355.41</u>	 <u>\$ 6,355.41</u>	 <u>\$ -</u>