

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

EXAMINATION REPORT
OF
TOWN OF LYNN
RANDOLPH COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/30/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kaylene Straley	01-01-04 to 12-31-11
President of the Town Council	Judy Mullin Maxine Parrott	01-01-06 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LYNN, RANDOLPH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Lynn (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 22, 2008

TOWN OF LYNN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments			Cash and Investments
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 69,405	\$ 431,624	\$ 430,930	\$ 70,099
Motor Vehicle Highway	12,109	41,551	36,883	16,777
Local Road and Street	3,270	9,939	3,560	9,649
Law Enforcement Continuing Education	293	662	432	523
Riverboat	10,279	7,193	-	17,472
Rainy Day	16,090	-	-	16,090
Revolving Loan Fund	45	1,551	1,138	458
Community Days	4,548	4,098	4,907	3,739
Glenda Steins Trust	13,128	7,212	8,401	11,939
Public Safety Donations	400	-	400	-
Cumulative Capital Improvement	3,534	4,083	4,071	3,546
Cumulative Capital Development	14,085	10,696	23,326	1,455
Economic Development Income Tax	19,614	26,591	45,535	670
Washington Township Fire Truck	9,000	6,000	-	15,000
Fire Equipment Debt	33,425	2,253	17,460	18,218
Levy Excess	7,049	26,103	33,152	-
Proprietary Funds:				
Water Utility - Operating	12,619	185,132	179,137	18,614
Water Utility - Bond and Interest	50,224	83,417	88,491	45,150
Water Utility - Depreciation	10,639	20,248	7,244	23,643
Water Utility - Customer Deposit	8,963	1,200	818	9,345
Water Utility - Reserve	22,500	22,500	22,500	22,500
Wastewater Utility - Operating	2,637	199,974	200,511	2,100
Wastewater Utility - Bond and Interest	30,018	36,740	35,400	31,358
Wastewater Utility - Depreciation	1,414	45,371	46,261	524
Wastewater Utility - Customer Deposit	1,915	1,080	900	2,095
Wastewater Utility - Reserve	36,000	-	36,000	-
Fiduciary Fund:				
Payroll	2,493	243,748	242,940	3,301
Totals	\$ 395,696	\$ 1,418,966	\$ 1,470,397	\$ 344,265

	Cash and Investments			Cash and Investments
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 70,099	\$ 388,005	\$ 363,973	\$ 94,131
Motor Vehicle Highway	16,777	43,163	35,655	24,285
Local Road and Street	9,649	22,183	25,158	6,674
Law Enforcement Continuing Education	523	865	1,287	101
Riverboat	17,472	7,208	17,472	7,208
Rainy Day	16,090	5,616	19,863	1,843
Revolving Loan Fund	458	2,074	2,532	-
Community Days	3,739	2,427	4,095	2,071
Glenda Steins Trust	11,939	8,054	13,829	6,164
Public Safety Donations	-	1,050	-	1,050
Cumulative Capital Improvement	3,546	4,014	3,851	3,709
Cumulative Capital Development	1,455	8,980	2,474	7,961
Economic Development Income Tax	670	16,146	-	16,816
Washington Township Fire Truck	15,000	-	15,000	-
Fire Equipment Debt	18,218	12,358	15,207	15,369
Fire Department Expansion	-	49,000	49,000	-
Proprietary Funds:				
Water Utility - Operating	18,614	181,315	186,310	13,619
Water Utility - Bond and Interest	45,150	25,000	37,341	32,809
Water Utility - Depreciation	23,643	30,404	50,862	3,185
Water Utility - Customer Deposit	9,345	870	680	9,535
Water Utility - Reserve	22,500	12,000	12,000	22,500
Wastewater Utility - Operating	2,100	223,090	220,035	5,155
Wastewater Utility - Bond and Interest	31,358	28,175	34,450	25,083
Wastewater Utility - Depreciation	524	30,508	20,374	10,658
Wastewater Utility - Customer Deposit	2,095	920	950	2,065
Fiduciary Fund:				
Payroll	3,301	253,076	252,322	4,055
Totals	\$ 344,265	\$ 1,356,501	\$ 1,384,720	\$ 316,046

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

TOWN OF LYNN
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, health and social services, culture and recreation, and general administrative services, water, and wastewater.

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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 LYNN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF LYNN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Retroactive reporting of general infrastructure assets will occur by 12/31/2009.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 16,000
Buildings	432,133
Machinery and equipment	<u>617,414</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,065,547</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 4,944
Buildings	713,468
Improvements other than buildings	499,344
Machinery and equipment	<u>524,918</u>
 Total Water Utility capital assets	 <u>1,742,674</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	9,827
Buildings	1,084,331
Improvements other than buildings	1,412,093
Machinery and equipment	<u>140,664</u>
 Total Wastewater Utility capital assets	 <u>2,646,915</u>
 Total business-type activities capital assets	 <u>\$ 4,389,589</u>

TOWN OF LYNN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Truck	\$ 78,686	\$ 15,208
Notes and loans payable		
Fire Department Expansion	49,000	11,208
Total governmental activities debt	\$ 127,686	\$ 26,416
Business-type Activities:		
Water Utility		
Revenue bonds:		
1983 Water Improvements	\$ 207,000	\$ 22,350
1998 Water Improvements	61,720	7,790
Total Water Utility	268,720	30,140
Wastewater Utility		
Revenue bonds:		
Wastewater Improvements	290,000	34,500
Total Wastewater Utility	290,000	34,500
Total business-type activities debt:	\$ 558,720	\$ 64,640

TOWN OF LYNN
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Rainy Day	2007	<u>\$ 3,773</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."

WITHHOLDING TAXES

In 2007, the Town miscalculated the withholding taxes due. As a result, withholding taxes for 2007 were underpaid by \$189.

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)

TOWN OF LYNN
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

Quarterly estimates were not being paid by the due date for estimated payments. In addition the Town was not filing form URT-1 annually.

Every taxpayer whose annual tax liability exceeds one thousand dollars (\$1,000) is required to file and pay the utility receipts tax on a quarterly basis. The taxpayer shall pay to the Department twenty-five percent (25%) of the annual estimated tax or the exact amount of utility receipts tax that is due for the quarter.

A taxpayer that uses a taxable year that ends on December 31 shall file the taxpayer's estimated utility receipts tax return and pay the tax due on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer's taxable year does not end on December 31, the due dates for filing the return and paying the tax are the 20th day of the fourth, sixth, ninth, and twelfth month of the taxpayer's taxable year.

Every taxpayer who receives more than one thousand dollars (\$1,000) in receipts from the retail sale of utility service is required to file an annual utility receipts tax return, Form URT. Any taxpayer who does not file an annual utility receipts tax return for a taxable year may be required to execute and file with the Department a sworn statement that the taxpayer did not receive more than one thousand dollars (\$1,000) of taxable gross receipts during the taxable year. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LYNN
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2008, with Kaylene Straley, Clerk-Treasurer; Maxine Parrott, President of the Town Council; and Sharon Abshear, Deputy Clerk. The officials concurred with our findings.