

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF LYNNVILLE

WARRICK COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**  
11/28/2011



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Sheridan Jones

01-01-08 to 12-31-11

President of the  
Town Council

Judith Writsel

01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the Town of Lynnville (Town), for the period of January 1, 2010 to December 31, 2010. The Town's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 19, 2011

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF LYNNVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 25,221	\$ 187,098	\$ 123,441	\$ 88,878
Motor Vehicle Highway	98,806	34,589	9,469	123,926
Local Road And Street	45,328	7,445	-	52,773
Lynnville Park	96,269	149,381	138,026	107,624
Ball Park Donations	240	-	-	240
Rainy Day	-	9,739	-	9,739
Cedit	94,742	41,444	14,676	121,510
Fire Protection Territory	35,521	104,230	103,339	36,412
Cumulative Capital Development	26,516	2,287	-	28,803
Park Donations	540	-	-	540
Sp. Fire Protection Equipment	12,864	29,076	39,071	2,869
Payroll	5,721	228,198	227,148	6,771
Wastewater Utility-Operating	69,857	283,110	322,151	30,816
Wastewater Util-Bond And Interest	25,802	29,492	55,243	51
Wastewater Utility-Deprec/Improve	21,042	-	3,364	17,678
Wastewater Utility-Tecumseh School	350	-	-	350
Wastewater Utility-Debt Reserve	43,950	-	-	43,950
Water Utility-Operating	1,395	241,554	198,197	44,752
Water Utility-Bond And Interest	19,792	-	9,355	10,437
Water Utility-Depreciation/Improve	102,211	-	-	102,211
Water Utility-Customer Deposit	40,190	2,500	1,766	40,924
Water Utility-Debt Reserve	17,025	-	-	17,025
Totals	<u>\$ 783,382</u>	<u>\$ 1,350,143</u>	<u>\$ 1,245,246</u>	<u>\$ 888,279</u>

The notes to the financial statement are an integral part of this statement.



TOWN OF LYNNVILLE  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water and wastewater.

The accompanying financial statement presents the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF LYNNVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF LYNNVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF LYNNVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *Deposits and Investments***

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

**Note 5. *Risk Management***

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF LYNNVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General Fund	Motor Vehicle Highway	Local Road And Street	Lynnville Park	Ball Park Donations	Rainy Day	Cedit	Fire Protection Territory
Cash and investments - beginning	\$ 25,221	\$ 98,806	\$ 45,328	\$ 96,269	\$ 240	\$ -	\$ 94,742	\$ 35,521
Receipts:								
Taxes	187,098	-	-	-	-	-	-	104,230
Intergovernmental	-	34,589	7,445	-	-	9,739	41,444	-
Charges for services	-	-	-	149,381	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>187,098</u>	<u>34,589</u>	<u>7,445</u>	<u>149,381</u>	<u>-</u>	<u>9,739</u>	<u>41,444</u>	<u>104,230</u>
Disbursements:								
Personal services	18,600	9,469	-	62,708	-	-	-	-
Supplies	1,096	-	-	8,202	-	-	-	-
Other services and charges	103,704	-	-	45,860	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	41	-	-	21,256	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	14,676	103,339
Total disbursements	<u>123,441</u>	<u>9,469</u>	<u>-</u>	<u>138,026</u>	<u>-</u>	<u>-</u>	<u>14,676</u>	<u>103,339</u>
Excess (deficiency) of receipts over disbursements	<u>63,657</u>	<u>25,120</u>	<u>7,445</u>	<u>11,355</u>	<u>-</u>	<u>9,739</u>	<u>26,768</u>	<u>891</u>
Cash and investments - ending	<u>\$ 88,878</u>	<u>\$ 123,926</u>	<u>\$ 52,773</u>	<u>\$ 107,624</u>	<u>\$ 240</u>	<u>\$ 9,739</u>	<u>\$ 121,510</u>	<u>\$ 36,412</u>

TOWN OF LYNNVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Cumulative Capital Development	Park Donations	Sp. Fire Protection Equipment	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Wastewater Utility-Tecumseh School
Cash and investments - beginning	\$ 26,516	\$ 540	\$ 12,864	\$ 5,721	\$ 69,857	\$ 25,802	\$ 21,042	\$ 350
Receipts:								
Taxes	-	-	29,076	-	-	-	-	-
Intergovernmental	2,287	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	278,394	-	-	-
Penalties	-	-	-	-	4,716	-	-	-
Other receipts	-	-	-	228,198	-	29,492	-	-
Total receipts	2,287	-	29,076	228,198	283,110	29,492	-	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	55,243	-	-
Capital outlay	-	-	-	-	-	-	3,364	-
Utility operating expenses	-	-	-	-	207,126	-	-	-
Other disbursements	-	-	39,071	227,148	115,025	-	-	-
Total disbursements	-	-	39,071	227,148	322,151	55,243	3,364	-
Excess (deficiency) of receipts over disbursements	2,287	-	(9,995)	1,050	(39,041)	(25,751)	(3,364)	-
Cash and investments - ending	\$ 28,803	\$ 540	\$ 2,869	\$ 6,771	\$ 30,816	\$ 51	\$ 17,678	\$ 350

TOWN OF LYNNVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 43,950	\$ 1,395	\$ 19,792	\$ 102,211	\$ 40,190	\$ 17,025	\$ 783,382
Receipts:							
Taxes	-	-	-	-	-	-	320,404
Intergovernmental	-	-	-	-	-	-	95,504
Charges for services	-	-	-	-	-	-	149,381
Utility fees	-	240,852	-	-	-	-	519,246
Penalties	-	702	-	-	-	-	5,418
Other receipts	-	-	-	-	2,500	-	260,190
Total receipts	-	241,554	-	-	2,500	-	1,350,143
Disbursements:							
Personal services	-	-	-	-	-	-	90,777
Supplies	-	-	-	-	-	-	9,298
Other services and charges	-	-	-	-	-	-	149,564
Debt service - principal and interest	-	-	9,355	-	-	-	64,598
Capital outlay	-	-	-	-	-	-	24,661
Utility operating expenses	-	149,305	-	-	1,766	-	358,197
Other disbursements	-	48,892	-	-	-	-	548,151
Total disbursements	-	198,197	9,355	-	1,766	-	1,245,246
Excess (deficiency) of receipts over disbursements	-	43,357	(9,355)	-	734	-	104,897
Cash and investments - ending	\$ 43,950	\$ 44,752	\$ 10,437	\$ 102,211	\$ 40,924	\$ 17,025	\$ 888,279



TOWN OF LYNNVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 225,000
Buildings	654,500
Machinery and equipment	<u>590,800</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,470,300</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 51,000
Improvements other than buildings	365,943
Machinery and equipment	<u>23,700</u>
 Total Water Utility capital assets	 <u>440,643</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Buildings	418,261
Improvements other than buildings	593,175
Machinery and equipment	<u>624,132</u>
 Total Wastewater Utility capital assets	 <u>1,635,568</u>
 Total business-type activities capital assets	 <u>\$ 2,076,211</u>

TOWN OF LYNNVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loans payable	\$ 53,864	\$ 13,850
Business-type Activities:		
Wastewater Utility:		
Revenue Bonds:		
1981 Issue	\$ 209,000	\$ 41,931
1996 Issue Series A	146,000	10,118
1996 Issue Series B	69,000	4,363
2007 Revenue Bonds	550,000	27,450
Total Wastewater Utility	\$ 974,000	\$ 83,862

TOWN OF LYNNVILLE  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL REPORT***

An Annual Report for 2010 was not filed timely or accurately. A similar comment was included in the prior report.

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 filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

***CAPITAL ASSET RECORDS***

The Town and its Utilities do not maintain sufficient detailed records of capital assets. A similar comment was included in several prior reports.

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 Capital Assets Ledger form. 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)

***UTILITY RECEIPTS TAX***

The Water Utility filed the Utility Receipts Tax return (Form URT-1) late for the year 2010, due in the year 2011.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***ORDINANCE AND RESOLUTIONS - WATER RATE ORDINANCE***

The Water Utility adopted Ordinance 2009-3 on January 5, 2010, to increase its water rates. However, the rates billed did not agree with the amounts included in the ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LYNNVILLE  
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2011, with Sheridan Jones, Clerk-Treasurer, and Judith Writsel, President of the Town Council. The officials concurred with our findings.