

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LYNN

RANDOLPH COUNTY, INDIANA

January 1, 2012 to December 31, 2016



**FILED**

03/15/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Examination Results and Comments:	
Internal Controls .....	6
Annual Financial Reports .....	6
Exit Conference .....	7
Town Council:	
Examination Result and Comment:	
Loans Between Funds .....	10
Exit Conference .....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kaylene Straley	01-01-12 to 12-31-19
President of the Town Council	Judy Mullin Kevin Slick	01-01-12 to 12-31-16 01-01-17 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of the Town of Lynn (Town), for the period from January 1, 2012 to December 31, 2016. 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/](http://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

February 1, 2018

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CLERK-TREASURER  
TOWN OF LYNN

CLERK-TREASURER  
TOWN OF LYNN  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units financial system, which is the source of the Annual Financial Reports (AFR) and financial statements. The Town did not have effective controls to verify the accuracy of the financial information prior to submission.

The Town's bank reconcilements were prepared by the Clerk-Treasurer. There were no controls in place such as an oversight, review, or approval process of the bank reconcilements.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**ANNUAL FINANCIAL REPORTS**

The AFRs for 2013, 2014, 2015, and 2016 did not agree with the records. There were funds excluded from the AFRs for each of those years and the 2014 General fund reported disbursements were incorrect. Adjustments to the financial statements were proposed and approved by the Town.

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."

CLERK-TREASURER  
TOWN OF LYNN  
EXIT CONFERENCE

The contents of this report were discussed on February 1, 2018, with Kaylene Straley, Clerk-Treasurer, and Judy Mullin, Town Council member.

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TOWN COUNCIL  
TOWN OF LYNN

TOWN COUNCIL  
TOWN OF LYNN  
EXAMINATION RESULT AND COMMENT

***LOANS BETWEEN FUNDS***

Loans between funds were made without a supporting ordinance approved by the Town Council.

Indiana Code 36-1-8-4(a) states:

"The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

Indiana Code 8-1.5-3-12(a) states:

"A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for any of the following purposes:

- (1) Current purposes in anticipation of taxes levied and to be collected during the current or following year.
- (2) Carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the municipality."

TOWN COUNCIL  
TOWN OF LYNN  
EXIT CONFERENCE

The contents of this report were discussed on February 1, 2018, with Kaylene Straley, Clerk-Treasurer, and Judy Mullin, Town Council member.