

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

EXAMINATION REPORT  
OF  
TOWN OF SUNMAN  
RIPLEY COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**  
12/29/2009



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5
Supplementary Information:	
Schedule of Long-Term Debt .....	6
Examination Results and Comments:	
Overdrawn Cash Balances.....	7
Appropriations.....	7
Penalty Paid to the Internal Revenue Service.....	7
Transaction Recording .....	8
Annual Report.....	8
Customer Deposits .....	9
Utilities' Rate Ordinances Not Applied.....	9
Credit Card Payments .....	9-10
No Credit Card Policy .....	10-11
Capital Asset Records - Governmental Activities.....	11
Capital Asset Records - Proprietary Funds .....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristina S. Schneider	01-01-04 to 12-31-11
President of the Town Council	Wayne Jenner	01-01-07 to 12-31-09
Superintendent of Utilities	Carl Bruns	01-01-07 to 05-12-09
Utility Manager	Terry Knueven	05-13-09 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SUNMAN, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Sunman (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, 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

November 19, 2009

TOWN OF SUNMAN  
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 63,428	\$ 111,915	\$ 227,912	\$ (52,569)
Motor Vehicle Highway	18,134	29,048	6,929	40,253
Local Road and Street	3,501	4,467	4,915	3,053
Park and Recreation	5,546	16,719	23,320	(1,055)
Law Enforcement Continuing Education	2,611	146	424	2,333
Riverboat	183,044	132,810	216,716	99,138
Rainy Day	-	2,510	-	2,510
Softball	606	480	462	624
Park Grant	90	-	-	90
Cumulative Capital Improvement	12,680	2,827	-	15,507
Cumulative Capital Development	84,606	2,877	11,025	76,458
Economic Development Income Tax	47,729	25,515	35,347	37,897
Proprietary Funds:				
Water Utility - Operating	57,655	282,519	290,136	50,038
Water Utility - Bond and Interest	20,709	38,160	39,200	19,669
Water Utility - Customer Deposit	26,990	4,575	2,800	28,765
Water Utility - Construction	12,257	7,250	8,507	11,000
Water Utility - Debt Service Reserve	39,170	4,000	-	43,170
Wastewater Utility - Operating	79,177	257,484	246,911	89,750
Wastewater Utility - Bond and Interest	84,868	38,040	38,050	84,858
Wastewater Utility - Improvement	11,198	-	-	11,198
Fiduciary Fund:				
Payroll	7,700	287,282	289,480	5,502
Totals	<u>\$ 761,699</u>	<u>\$ 1,248,624</u>	<u>\$ 1,442,134</u>	<u>\$ 568,189</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (52,569)	\$ 328,792	\$ 223,992	\$ 52,231
Motor Vehicle Highway	40,253	22,880	23,063	40,070
Local Road and Street	3,053	3,923	1,544	5,432
Park and Recreation	(1,055)	20,483	21,327	(1,899)
Law Enforcement Continuing Education	2,333	289	-	2,622
Riverboat	99,138	118,188	120,913	96,413
Rainy Day	2,510	3,411	569	5,352
Softball	624	-	386	238
Park Grant	90	-	90	-
Cumulative Capital Improvement	15,507	2,618	-	18,125
Cumulative Capital Development	76,458	34,404	380	110,482
Economic Development Income Tax	37,897	22,014	9,335	50,576
Sunman Construction Fund	-	506,500	493,850	12,650
Proprietary Funds:				
Water Utility - Operating	50,038	196,690	221,885	24,843
Water Utility - Bond and Interest	19,669	38,160	39,150	18,679
Water Utility - Customer Deposit	28,765	3,800	629	31,936
Water Utility - Construction	11,000	14,400	20,906	4,494
Water Utility - Debt Service Reserve	43,170	-	-	43,170
Wastewater Utility - Operating	89,750	253,413	248,299	94,864
Wastewater Utility - Bond and Interest	84,858	38,040	38,550	84,348
Wastewater Utility - Improvement	11,198	4,400	5,439	10,159
Fiduciary Fund:				
Payroll	5,502	312,746	308,492	9,756
Totals	<u>\$ 568,189</u>	<u>\$ 1,925,151</u>	<u>\$ 1,778,799</u>	<u>\$ 714,541</u>

The accompanying notes are an integral part of the schedules.

TOWN OF SUNMAN  
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 (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, water, wastewater, and sanitation.

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 SUNMAN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loan payable	\$ 181,568	\$ 14,385
Business-type activities:		
Water Utility:		
Loan payable	\$ 52,019	\$ 17,014
Revenue bonds:		
1981 Water improvement	321,000	39,050
Total Water Utility	373,019	56,064
Wastewater Utility:		
Revenue bonds	540,000	38,000
Total business-type activities debt	\$ 913,019	\$ 94,064

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The cash balance of the General Fund was overdrawn by \$52,569 on December 31, 2007. The Park and Recreation Fund was overdrawn by \$1,055 on December 31, 2007, and \$1,899 on December 31, 2008.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to Clerk-Treasurer)

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

<u>Fund</u>	<u>Years</u>	<u>Amount</u>
Riverboat	2007	\$ 216,716
Park and Recreation	2007	1,695
Riverboat	2008	120,913
Rainy Day	2008	569

There were no local appropriations for the Riverboat and Rainy Day Funds.

IC 36-5-4-2 states:

"Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

PENALTY PAID TO THE INTERNAL REVENUE SERVICE (Applies to Clerk-Treasurer)

On May 5, 2008, the Town issued a check to the United States Treasury for \$836. The check was written to pay a penalty assessed due to the Town's failure to make a proper tax deposit with Tax Form 941 for the period ending September 30, 2007.

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 SUNMAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

TRANSACTION RECORDING (Applies to Clerk-Treasurer)

The Clerk-Treasurer records transactions for the Town and Utilities.

On January 18, 2007, the Water Utility obtained a \$70,750 loan for a real estate purchase. The Clerk-Treasurer did not issue a receipt for the amount received, did not record the loan proceeds received and disbursed in the Water Utility records, and did not write a check for the purchase. The check received by the Water Utility was endorsed to the lender. The lender used the check to pay off the seller's mortgage and to pay the remainder to the seller. The transaction was not included in the amounts reported on the 2007 annual report.

On April 30, 2008, the Town purchased a building for \$380,000. A Community Development Block Grant check provided \$194,070 to the Town. The Town borrowed the remaining \$185,930 which was received in a check issued to the Town. At the time of the purchase, both checks were endorsed to the seller. The Clerk-Treasurer did not issue receipts for the amounts received, did not record the grant and loan proceeds received and disbursed in the Town's records, and did not write a check for the purchase. The 2008 annual report did not include the transactions.

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)

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)

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 5-3-1-3(a) states: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town during the preceding calendar year."

ANNUAL REPORT (Applies to Clerk-Treasurer)

The Annual Financial Reports (CTAR1) for 2005 and 2006 were incomplete. Only Part 1 of the report, which is the Statement of Receipts, Disbursements, Cash Balances, and Investment Balances, was completed.

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)

A similar comment was made in prior Report B31505.

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CUSTOMER DEPOSITS (Applies to Clerk-Treasurer)

The Water Utility uses an approved computerized accounting system. Customer deposits are recorded in the system. The system generates a Meter Deposit Report which should reconcile to the Water Utility's Customer Deposit Fund as maintained in the Simplified Cash Journal. On December 31, 2008, the Meter Deposit Report did not reconcile with the Customer Deposit Fund. The Meter Deposit Report was \$2,456 greater than the Customer Deposit Fund.

In a review of customer deposit receipts, we found a deposit received from one customer was recorded properly in the Simplified Cash Journal and the customer was listed in the computerized records but the amount the customer paid was not recorded in the computerized system.

In a review of customer deposits refunded, we found the refunds were recorded properly in the Simplified Cash Journal but 80% of the refunds tested were not recorded in the computerized accounting system and the customers were shown with balances.

At all times, the manual and/or 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)

A similar comment was included in prior Report 31505.

UTILITIES' RATE ORDINANCES NOT APPLIED (Applies to Water and Wastewater Utilities)

Water Rate Ordinance 2006-3 and Sewer Rate Ordinance 2006-2 established rate schedules including increases to take effect January 1, 2007; August 1, 2007; and August 1, 2008. The August 1, 2008, rate increases were not entered into the Utilities' computerized customer system. The error was not discovered until October 2009.

Based on an average 3% increase, the estimated amounts under-billed in 2008 were \$2,137 for the Water Utility and \$3,048 for the Wastewater Utility. Ten months of 2009 were also under-billed for both utilities.

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)

CREDIT CARD PAYMENTS (Applies to Clerk-Treasurer)

We noted the following deficiencies regarding credit card payments:

1. Payments were based on credit card statements with itemized supporting documentation.

IC 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."

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(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; . . ."

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)

2. We note late charge fees in the amount of \$11 were paid.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

NO CREDIT CARD POLICY (Applies to Town Council)

The Town is using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

(8) If properly authorized, an annual fee may be paid.

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

A similar comment was made in prior Report B31505.

CAPITAL ASSET RECORDS- GOVERNMENTAL ACTIVITIES (Applies to Clerk-Treasurer)

The Town does not maintain capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the 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)

A similar comment was made in prior Reports B26674 and B31505.

CAPITAL ASSET RECORDS- PROPRIETARY FUNDS (Applies to Water and Wastewater Utilities)

The Utilities do not maintain sufficient detailed records of capital assets for Utility Plant in Service accounts.

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 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)

Similar comments were made in prior Reports B26674 and B31505.

TOWN OF SUNMAN  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2009, with Kristina S. Schneider, Clerk-Treasurer; and John Campbell, Council member. The officials concurred with our findings.