

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF SUNMAN

RIPLEY COUNTY, INDIANA

January 1, 2009 to December 31, 2009



**FILED**  
09/13/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristina S. Schneider	01-01-08 to 12-31-15
President of the Town Council	Wayne Jenner	01-01-09 to 12-31-12
Superintendent of Utilities	Carl Bruns	01-01-09 to 05-12-09
Utilities Manager	Terry Knueven	05-13-09 to 12-31-12



**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 of the Town of Sunman (Town), for the period of January 1, 2009 to December 31, 2009. 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.

The Town is required to prepare 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 Town did not present a financial statement and notes for the year ended December 31, 2009, in accordance with reporting requirements established by the State Board of Accounts. Presentation of such statement and notes summarizing the Town's financial position and the results of its operations is required by state statute (IC 5-11-1-6).

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial information referred to above does not present fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2009, on the basis of accounting described in the preceding paragraphs.

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 financial statement. It has not been subjected to the examination procedures applied to the financial information and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and others within the entity and is not intended to be and should not be used by anyone other than this specified party. 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

June 5, 2012

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FINANCIAL INFORMATION

TOWN OF SUNMAN  
 CASH AND INVESTMENT BALANCES  
 For The Year Ended December 31, 2009

		Cash and Investments 12-31-09
General	\$	59,689
Motor Vehicle Highway		48,782
Local Road And Street		6,748
Law Enforcement Continuing Ed		2,840
Riverboat		80,898
Parks And Recreation		(6,007)
Rainy Day		13,254
Economic Development-Other		29,857
Softball		477
Cumulative Capital Development		81,436
Cumulative Capital Improvement		20,594
Money Market		13,684
Payroll		13,764
Utility Clearance		(114)
Wastewater Utility-Operating		74,530
Wastewater Util-Bond And Interest		84,388
Wastewater Utility-Deprec/Improve		10,159
Water Utility-Operating		36,240
Water Utility-Bond And Interest		17,789
Water Utility-Depreciation/Improve		39,050
Water Utility-Customer Deposit		33,761
Water Utility-Construction		7,987
		<hr/>
Totals	\$	<u><u>669,806</u></u>

TOWN OF SUNMAN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 175,741	\$ 14,385
Business-type activities:		
Water Utility:		
Loan payable		
Revenue bonds:	\$ 38,506	\$ 17,014
1981 Water Improvement		
	<u>298,000</u>	<u>28,900</u>
Total Water Utility	<u>336,506</u>	<u>45,914</u>
Wastewater Utility:		
Revenue bonds:		
1993 Wastewater improvement		
	<u>529,000</u>	<u>38,450</u>
Total business-type activities debt	<u>\$ 865,506</u>	<u>\$ 84,364</u>

TOWN OF SUNMAN  
OTHER REPORT

The examination report presented herein was prepared in addition to another official report prepared for the individual Town office listed below:

Clerk-Treasurer

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS

***FINANCIAL REPORT OPINION MODIFICATION (Applies to Clerk-Treasurer)***

The Town did not present a financial statement and notes for the year ended December 31, 2009 in accordance with reporting requirements established by the State Board of Accounts. Presentation of such statement and notes summarizing the Town's financial position and the results of its operations is required by state statute (IC 5-11-1-6). Therefore, the State Board of Accounts is unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statement.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Accountant's Report on the financial statement may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***ANNUAL REPORT (Applies to Clerk-Treasurer)***

An annual financial report (City and Town Annual Report (CTAR-1) for the year 2009 was not filed with the Indiana State Board of Accounts.

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."

***APPROPRIATIONS (Applies to the Town Council and Clerk-Treasurer)***

The Town disbursed \$111,696 from the Riverboat Fund during the year 2009. The Town Council did not appropriate monies paid from the Riverboat Fund.

Indiana Code 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."

Indiana Code 5-11-10-1(d) states:

"The disbursing officer shall issue checks or warrants for claims which meet all of the requirements of this section. The disbursing officer does not incur personal liability for disbursements:

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available."

A similar comment was made in prior Report B35406.

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**UTILITIES RATE ORDINANCES NOT APPLIED (Applies to Town Council and Clerk-Treasurer)**

Water Rate Ordinance 2006-3, and Sewer Rate Ordinance 2006-2, established rate schedules that included increases to take effect January 1, 2007; August 1, 2007; and August 1, 2008. The August 1, 2008, rate increase was not entered into the Utilities' computerized system. Therefore, the 2008 rate increase has never been applied to customer billings. The rate increase that should have gone into effect on August 1, 2008, approximated a 3 percent increase in utility rates. Noncompliance with the rate ordinance was reported in the prior Report B35406 dated November 19, 2009.

The rate increase, if implemented timely, would have generated approximately \$12,348 in additional revenue for the water utility and wastewater utility combined for the year 2009.

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)

A similar comment was made in prior Report B35406.

**TOWN MARSHALL – EXCESS SALARY PAID (Applies to Town Marshall and Clerk-Treasurer)**

Bill Dramann, Town Marshall, was paid \$690.24 in excess of the salary ordinance approved by the Town Council during the year 2009 as shown in the following schedule:

Salary Paid	\$ 34,319.74
Approved Salary	<u>33,629.50</u>
Excess Salary Payment	<u>\$ 690.24</u>

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)

The Town Council on November 17, 2011, retroactively approved the salary of the Town Marshall to be \$34,319.74.

**OVERDRAWN CASH BALANCE (Applies to Clerk-Treasurer)**

The cash balance of the Parks and Recreation Fund was overdrawn in the amount of \$6,007 at December 31, 2009.

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)

Indiana Code 5-11-10-1(d) states:

"The disbursing officer shall issue checks or warrants for claims which meet all of the requirements of this section. The disbursing officer does not incur personal liability for disbursements:

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available."

A similar comment was made in prior Report B35406.

***DISBURSEMENT PROCEDURES NOT FOLLOWED (Applies to Clerk-Treasurer)***

The following deficiencies were noted based on a sample of vendor payments:

1. Supporting documentation for disbursements was not presented for examination for 4 claims out of 30 included in the sample, representing an error rate of 17 percent based on the number of items sampled. Claims in the sample without proper supporting documentation totaled \$725.28, representing a 3 percent error rate based on the dollar value of the errors and dollar value of the claim sample.
2. Claims were not signed by a department head or other official certifying to the receipt of the goods or services ordered for 13 percent of the claims reviewed.
3. Claims were not signed by the Clerk-Treasurer, certifying that the claims had been audited, for 17 percent of the claims reviewed.

Indiana Code 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.

(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;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

***GIFT CARDS (Applies to Clerk-Treasurer and Town Council)***

Approximately 42 gift cards totaling \$1,700 were purchased by the Town of Sunman for its employees and auxiliary police officers in December of the year 2009. The gift card amounts ranged from \$35 to \$100 dollars. This additional compensation was not authorized by a salary ordinance.

TOWN OF SUNMAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer)***

The Town does not maintain capital asset records for its governmental funds or for its utility funds.

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)

A similar comment was made in prior Reports B26674, B31505, and B35406.

TOWN OF SUNMAN  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2012, with Wayne Jenner, President of the Town Council, and Kristina S. Schneider, Clerk-Treasurer.