

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, 2005 to December 31, 2006



FILED
12/31/2007

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:	
Capital Asset Records – Governmental Activities	7
Capital Asset Records – Proprietary Funds	7
Customer Deposit Register	7
Payroll Withholdings Records.....	7
Credit Cards.....	8
Delinquent Wastewater Accounts.....	9
Annual Report.....	9
Exit Conference.....	10

OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2005 to December 31, 2006. 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, 2005 and 2006, 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

December 3, 2007

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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 23,954	\$ 258,422	\$ 203,386	\$ 78,990
Motor Vehicle Highway	5,311	24,438	27,115	2,633
Local Road and Street	3,624	4,176	3,768	4,031
Park and Recreation	17,256	20,732	24,617	13,371
Law Enforcement Continuing Education	2,047	239	-	2,286
Riverboat	96,976	146,484	118,464	124,996
Softball	452	550	448	554
Park Grant	-	3,200	3,110	90
Cumulative Capital Improvement	14,782	2,488	869	16,401
Cumulative Capital Development	44,233	24,153	1,012	67,374
Economic Development Income Tax	47,816	16,136	1,936	62,016
Proprietary Funds:				
Water Utility - Operating	68,987	172,183	157,322	83,848
Water Utility - Bond and Interest	22,225	38,574	39,150	21,649
Water Utility - Customer Deposit	21,936	3,975	1,671	24,240
Water Utility - Construction	5,657	4,550	-	10,207
Water Utility- Debt Service Reserve	39,170	-	-	39,170
Wastewater Utility - Operating	69,565	219,370	201,688	87,247
Wastewater Utility - Bond and Interest	85,391	37,987	38,000	85,378
Wastewater Utility - Construction	-	39,000	39,000	-
Wastewater Utility - Improvement	11,252	3,700	6,454	8,498
Fiduciary Fund:				
Payroll	11,042	240,577	241,246	10,374
Totals	<u>\$ 591,676</u>	<u>\$ 1,260,934</u>	<u>\$ 1,109,255</u>	<u>\$ 743,354</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 78,990	\$ 216,811	\$ 232,374	\$ 63,428
Motor Vehicle Highway	2,633	29,452	13,952	18,134
Local Road and Street	4,031	4,310	4,841	3,501
Park and Recreation	13,371	19,094	26,918	5,546
Law Enforcement Continuing Education	2,286	325	-	2,611
Riverboat	124,996	141,969	83,921	183,044
Softball	554	500	448	606
Park Grant	90	-	-	90
Cumulative Capital Improvement	16,401	3,236	6,957	12,680
Cumulative Capital Development	67,374	17,232	-	84,606
Economic Development Income Tax	62,016	20,974	35,261	47,729
Proprietary Funds:				
Water Utility - Operating	83,848	171,733	197,926	57,655
Water Utility - Bond and Interest	21,649	38,160	39,100	20,709
Water Utility - Customer Deposit	24,240	3,550	800	26,990
Water Utility - Construction	10,207	2,050	-	12,257
Water Utility- Debt Service Reserve	39,170	-	-	39,170
Wastewater Utility - Operating	87,247	223,206	231,277	79,177
Wastewater Utility - Bond and Interest	85,378	38,040	38,550	84,868
Wastewater Utility - Improvement	8,498	2,700	-	11,198
Fiduciary Fund:				
Payroll	10,374	257,110	259,783	7,701
Totals	<u>\$ 743,354</u>	<u>\$ 1,190,452</u>	<u>\$ 1,172,107</u>	<u>\$ 761,699</u>

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

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, 2006

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1981 Water improvement	\$ 364,000	\$ 39,200
Wastewater Utility		
Revenue bonds:		
1993 Wastewater improvement	561,000	38,050
Total business-type activities debt:	\$ 925,000	\$ 77,250

TOWN OF SUNMAN
EXAMINATION RESULTS AND COMMENTS

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

The Town has not established and maintained detailed records of its capital assets.

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. 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 Report B26674.

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

The Utilities do not maintain sufficient detailed records of capital assets for their 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 Assets 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 Report B26674.

CUSTOMER DEPOSIT REGISTER (Applies to Clerk-Treasurer)

The detailed customer deposit register does not reconcile with the customer deposit cash balance recorded on the Simplified Cash Journal. The unidentified difference was \$656 at December 31, 2006.

At all times, the manual and 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 B26674.

PAYROLL WITHHOLDINGS RECORDS (Applies to Clerk-Treasurer)

Detailed subsidiary records of the various payroll deductions and net payroll have not been maintained.

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 included in prior Report B26674.

TOWN OF SUNMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT CARDS (Applies to Clerk-Treasurer and Town Board)

Town officials and employees use Wal-Mart credit cards for the purchase or small items related to Town business. Payment is made from monthly credit card statements without evidence of supporting receipts or invoices. During 2006, claims totaling \$798 were paid to Wal-Mart without proper supporting documentation. There was also no approved credit card policy presented for examination.

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.
- (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)

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)

TOWN OF SUNMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Our examination of the Wastewater Utility revealed that delinquent wastewater fees and penalties were not recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . ."

A similar comment was made in prior Report B26674.

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)

TOWN OF SUNMAN
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2007, with Kristina S. Schneider, Clerk-Treasurer, and John Campbell, Town Council member.