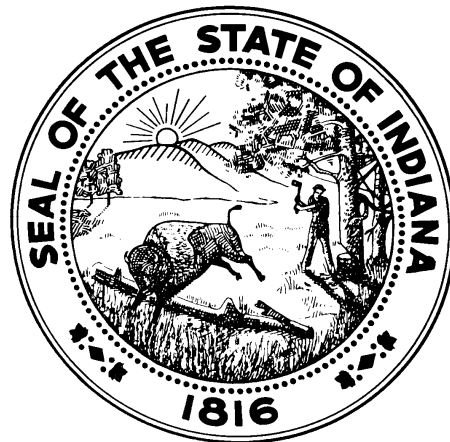


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
TOWN OF CUMBERLAND  
MARION AND HANCOCK COUNTIES, INDIANA  
January 1, 2007 to December 31, 2007



**FILED**  
06/18/2008



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5-6
Supplementary Information:	
Schedule of Long-Term Debt .....	7
Examination Results and Comments:	
Utility Capital Asset Records .....	8
Motor Vehicle Highway – Improper Expenditures .....	8
Public Purchases Law .....	9-10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda J. Jeter Grace M. Heck	04-23-05 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Ron Sullivan Mark Reynold	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Wastewater Utility Superintendent	Winston Strunk	01-01-07 to 12-31-08



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CUMBERLAND,  
MARION AND HANCOCK COUNTIES, INDIANA

We have examined the financial information presented herein of the Town of Cumberland (Town), for the period of January 1, 2007 to December 31, 2007. 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 year ended December 31, 2007, 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

May 28, 2008

TOWN OF CUMBERLAND  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 1,545,226	\$ 2,167,813	\$ 1,838,769	\$ 1,874,270
Motor Vehicle Highway	1,091,062	487,609	497,510	1,081,161
Local Road and Street	305,759	80,996	72,454	314,301
Park and Recreation	693,872	215,476	253,638	655,710
Law Enforcement Continuing Education	3,507	3,053	1,140	5,420
Riverboat	138,752	34,682	4,307	169,127
Rainy Day	93,061	57,998	-	151,059
Entryway C-Land Heights	500	1,985	1,468	1,017
Park Donation	3,075	-	3,000	75
Town Activity	2,384	-	-	2,384
Law Enforcement Asset Forfeiture	273	436	-	709
Police Diversion	14,491	5,045	354	19,182
Police Scholarship	7,587	3,413	4,830	6,170
Police Special Expense	5,851	3,200	-	9,051
Police L.E.A.F. Grant	36	1,845	-	1,881
Police Equipment	2,825	2,097	4,920	2
Waterworks	622,118	77,297	50,761	648,654
Debt Service	68,747	116,520	112,679	72,588
Lease Rental	34,072	98,827	94,355	38,544
General Project	391,263	8,357	129,268	270,352
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	1,319,867	1,832,210	1,507,738	1,644,339
Wastewater Utility - Bond and Interest	326,620	495,912	594,417	228,115
Wastewater Utility - Reserve	580,500	2,754	583,254	-
Wastewater Utility - Depreciation	1,436,578	85,148	600,000	921,726
Wastewater Utility - Construction	-	1,320,354	116,692	1,203,662
<b>Fiduciary Fund:</b>				
Payroll	9,981	1,051,210	1,049,928	11,263
<b>Totals</b>	<u>\$ 8,698,007</u>	<u>\$ 8,154,237</u>	<u>\$ 7,521,482</u>	<u>\$ 9,330,762</u>

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

TOWN OF CUMBERLAND  
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, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, and wastewater services.

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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 CUMBERLAND  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

In November 2007, the Town entered into a contract to purchase a Vac/All mounted on a 2008 tandem axle Condor Chassis for a cost of \$316,188. In January 2008, the Town Council discovered the unit ordered was significantly larger than the demo unit shown and believed to have been ordered. Therefore, the Town Council instructed the Town Manager to negotiate with Best Equipment Co., Inc., to acquire a smaller size unit. After negotiation, the Company agreed to sell the Town three items for the same price as the original one piece unit - a much smaller Vac/All unit (that functions as a street sweeper and catch basin cleaner), a separate leaf vacuum, and a jetter (storm and sanitary sewer line cleaner).





TOWN OF CUMBERLAND  
EXAMINATION RESULTS AND COMMENTS

UTILITY CAPITAL ASSET RECORDS

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets were not recorded.

The Town hired a contractor to complete an inventory which would provide the detailed asset records and accumulated depreciation records for the Utility owned assets. This inventory, as presented, was incomplete and inaccurate and contained significant omissions. Corrections were made to the inventory report, but the records still contained some known significant omissions. Other errors noted on the inventory report were incorrect cost amounts of assets and acquisition dates. Some of the assets listed in the inventory of Utility Plant in Service were below the dollar thresholds in the capitalization policy. A similar comment appeared in prior Report B30755.

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 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)

MOTOR VEHICLE HIGHWAY - IMPROPER EXPENDITURES

A portion of the following salaries is being paid from the Motor Vehicle Highway Fund: Clerk-Treasurer, Clerk-Treasurer's Office Staff, Town Manager, Executive Secretary, Town Council, Planning and Development Administration, and the Storm Water Committee.

Indiana Code 8-14-1-5(a) states: "All funds allocated to cities and towns from the motor vehicle highway account shall be used by the cities and towns for the construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of their highways as herein defined, and including also any curbs, and the city's or town's share of the cost of the separation of the grades of crossing of public highways and railroads, the purchase or lease of highway construction and maintenance equipment, the purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices; and the painting of structures, objects, surfaces in highways for purposes of safety and traffic regulation. All of such funds shall be budgeted as provided by law."

Indiana Code 8-14-1-5(b) states in part: "In addition to purposes for which funds may be expended under subsections (a) and (c) of this section, monies allocated to cities and towns under this chapter may be expended for law enforcement purposes, subject to the following limitations . . . (2) For cities and towns other than those specified in subdivision (1) of this subsection, no more than ten percent (10%) may be spent for law enforcement purposes."

Indiana Code 8-14-1-5(c) states: "In addition to purposes for which funds may be expended under subsections (a) and (b) of this section, monies allocated to cities and towns under this chapter may be expended for the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects."

TOWN OF CUMBERLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PUBLIC PURCHASES LAW

In November 2007, the Town entered into a contract to purchase a Vac/All mounted on a 2008 tandem axle Condor Chassis for a cost of \$316,188. This item was not purchased under the competitive bidding procedures or the request for proposals process. Specifically, the following requirements were not followed:

1. Public notice was not given soliciting bids or proposals,
2. Bids or proposals were not opened publicly,
3. The contract cannot be determined to have been awarded to the lowest responsible and responsive bidder or offeror, and
4. The summary list of bidders or offerors was not provided for public inspection after the contract award.

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow competitive bidding procedures described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

When a purchasing agent makes a written determination that the use of competitive sealed bidding is either not practicable or not advantageous to the governmental body, the purchasing agent may award a contract using the request for proposals process under IC 5-22-9 instead of competitive sealed bidding under IC 5-22-7. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-22-7-5(a) states in part: "The purchasing agency shall give notice of the invitation for bids in a manner required by IC 5-3-1." Indiana Code 5-22-9-3(a) states in part: "The purchasing agency shall give public notice of the request for proposals in the manner required by IC 5-3-1."

Indiana Code 5-22-7-6 states: "The purchasing agency shall open bids publicly in the presence of one (1) or more witnesses at the time and place designated in the invitation for bids." Indiana Code 5-22-9-4 states: "Proposals must be opened so as to avoid disclosure of contents to competing offerors during the process of negotiation."

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder." Indiana Code 5-22-9-7(a) states in part: Award shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the governmental body, taking into consideration price and the other evaluation factors set forth in the request for proposals."

Indiana Code 5-22-7-9 states:

"(a) The purchasing agency shall maintain the following information:

- (1) The name of each bidder.
- (2) The amount of each bid.
- (3) Other information required by this article and rules adopted under this article.

TOWN OF CUMBERLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(b) The information described in subsection (a) is subject to public inspection after each contract award."

Indiana Code 5-22-9-5 states:

"(a) A register of proposals must be:

- (1) prepared; and
- (2) open for public inspection after contract award.

(b) The register of proposals must contain the following:

- (1) A copy of the request for proposals.
- (2) A list of all persons to whom copies of the request for proposals were given.
- (3) A list of all proposals received, which must include all of the following:
  - (A) The names and addresses of all offerors.
  - (B) The dollar amount of each offer.
  - (C) The name of the successful offeror and the dollar amount of that offeror's offer.
- (4) The basis on which the award was made.
- (5) The entire contents of the contract file except for proprietary information included with an offer, such as trade secrets, manufacturing processes, and financial information that was not required to be made available for public inspection by the terms of the request for proposals."

TOWN OF CUMBERLAND  
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2008, with Grace M. Heck, Clerk-Treasurer; Mark Reynold, President of the Town Council; Debbie Blevins, Chief Deputy Clerk-Treasurer; and Jeff Sheridan, Town Manager. The officials concurred with our findings.