

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, 2008 to December 31, 2008



FILED
09/18/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Grace M. Heck	01-01-08 to 12-31-11
President of the Town Council	Mark Reynold	01-01-08 to 12-31-09
Wastewater Utility Superintendent	Wintson Strunk	01-01-08 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 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, 2008 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 year ended December 31, 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

August 20, 2009

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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 1,874,270	\$ 3,040,582	\$ 2,625,579	\$ 2,289,273
Motor Vehicle Highway	1,081,161	377,615	617,004	841,772
Local Road and Street	314,301	72,802	140,000	247,103
Park and Recreation	655,710	164,716	246,032	574,394
Law Enforcement Continuing Education	5,420	4,461	540	9,341
Riverboat	169,127	34,501	24,000	179,628
Rainy Day	151,059	199,833	108,932	241,960
Entryway C - Land Heights	1,017	2,609	983	2,643
Park Donation	75	-	-	75
Town Activity	2,384	-	2,384	-
Law Enforcement Asset Forfeiture	709	61,695	41,299	21,105
Police Diversion	19,182	3,941	8,917	14,206
Police Scholarship	6,170	-	1,500	4,670
Police Special Expense	9,051	2,740	4,000	7,791
Police L.E.A.F. Grant	1,881	-	1,368	513
Police Equipment	2	-	2	-
LOIT - Public Safety	-	163,202	103,000	60,202
Waterworks	648,654	54,003	42,640	660,017
Debt Service	72,588	83,749	107,557	48,780
Lease Rental	38,544	72,956	91,055	20,445
General Project	270,352	99,665	120,346	249,671
Proprietary Funds:				
Wastewater Utility - Operating	1,644,339	1,451,770	1,757,713	1,338,396
Wastewater Utility - Bond and Interest	228,115	491,719	489,250	230,584
Wastewater Utility - Depreciation	921,726	72,086	-	993,812
Wastewater Utility - Interceptor Construction	1,203,662	17,833	22,055	1,199,440
Fiduciary Funds:				
Payroll	11,263	1,104,624	1,103,151	12,736
Medical Flex Plan	-	4,138	4,547	(409)
Totals	<u>\$ 9,330,762</u>	<u>\$ 7,581,240</u>	<u>\$ 7,663,854</u>	<u>\$ 9,248,148</u>

The accompanying notes are an integral part of the 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).

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.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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.

TOWN OF CUMBERLAND
 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:		
Capital leases:		
Cumberland Town Hall Building Corporation	\$ 90,000	\$ 65,000
Bonds payable:		
General obligation bonds:		
Two major projects: Pennsy Trail, and Streetscape	1,140,000	92,685
Total Governmental Activities debt	\$ 1,230,000	\$ 157,685
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Buck Creek Interceptor-Building	5,270,000	493,000
Total Wastewater Utility	5,270,000	493,000
Total Business-type Activities debt:	\$ 5,270,000	\$ 493,000

TOWN OF CUMBERLAND
EXAMINATION RESULTS AND COMMENTS

UTILITY CAPITAL ASSET RECORDS

The Wastewater 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 are 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 Reports B32252 and B30755.

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)

WASTEWATER BILLINGS AND PENALTIES

Wastewater services were not always calculated and billed correctly. The Town employed an outside vendor to read meters, calculate fees owed, bill customers, and collect remittances. The Town established an ordinance to set the rates by which customers were to be billed; however, examination revealed that 28% of customers tested were billed incorrectly. Errors found ranged from customers being billed \$6 to \$23.62 more or less than rates authorized by ordinance. Problems were also noted in how late charges for delinquent accounts were assessed. Some customers were charged no late fee when delinquent. Some late fees were for incorrect amounts.

The Town started performing its own billing and collection services in January 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)

IC 36-9-23-31 Sec. 31 states in part: "If fees assessed against real property . . . are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees."

TOWN OF CUMBERLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. A similar comment appeared in prior Reports B32252 and B30755.

IC 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."

IC 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."

IC 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."

CONTRACTS

The Cumberland Police Department (CPD) entered into a contract for towing and impound services in January of 2005. The contract stated in part that "prior to termination by either party 30 day notice shall be given." The contract was not terminated until December of 2008. The terms of the agreement were not detailed in the contract but stated in part: ". . . shall provide a current price list to CPD . . . Franchise fee shall be inclusive in all tows and submitted to CPD monthly . . . CPD Vehicles shall be towed at no charge." The Town was unable to provide a price list, as stipulated in the contract, or the amount of the agreed upon franchise fee leaving the contract incomplete. The towing company did submit monthly checks to CPD for the amounts collected, but no detailed listing of amounts collected (name of owner, number of days impounded) was provided with the payment.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CUMBERLAND
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2009, with Grace M. Heck, Clerk-Treasurer; Jeff Sheridan, Town Manager; and Mark Reynold, President of the Town Council. The official response has been made a part of this report and may be found on page 11.



COMMENTS ON TOWN OF CUMBERLAND'S AUDIT FOR YEAR ENDING 12/31/2008

CAPITAL ASSET RECORDS: I have been working diligently when able to update the capital asset listing. We have acquired asset software, and I currently have it about 80% complete. I look forward to having this remark removed from the next audit.

WASTEWATER BILLINGS AND PENALTIES: I anticipate our new billing system will, for the most part, alleviate incorrect penalty problems.

MOTOR VEHICLE HIGHWAY – IMPROPER EXPENDITURES: This is the comment to which I have a disagreement because – According to the SBOA manual, the following instructions contradict the audit findings:

“LR&S page 16-1 **DISBURSEMENTS** The same Chart of Accounts and expenditure categories will be followed that is provided for the motor vehicle highway fund and general fund, with *the only difference being no administrative or indirect cost can be paid from the local road and street fund.* For instance, no expenditures would be made under 411.01, Department Head, or 412.061, Superintendent (Salary of Street Superintendent). See Pages 11-7, 13-2 and 13-3.”

“MVH page 15-2 **DISBURSEMENTS** With the exception of personal services, which is handled differently between cities and towns with departmentalized budgets and towns without departmentalized budgets (see 11-7), the Chart of Accounts and expenditure categories will be the same that is provided *for the GENERAL FUND.* Please refer to Page 13-2.”

As you can see from the above, LR&S has the only exception to paying a portion of administrative or indirect costs.

It is our contention that salaries being paid from the MVH fund are allowable.

Grace Heck, Clerk Treasurer
Town of Cumberland
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Cumberland, IN 46229
317-894-6201