

B37750

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, 2009 to December 31, 2009



FILED
11/09/2010

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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 T. Reynold Donald Engerer	01-01-09 to 12-31-09 01-01-10 to 12-31-10



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, 2009 to December 31, 2009. 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, 2009, 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 12, 2010

TOWN OF CUMBERLAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 2,289,273	\$ 1,835,944	\$ 2,009,124	\$ 2,116,093
Motor Vehicle Highway	841,772	428,416	305,303	964,885
Local Road and Street	247,103	67,253	80,213	234,143
Park and Recreation	574,394	191,732	251,183	514,943
Law Enforcement Continuing Education	9,341	5,418	178	14,581
Riverboat	179,628	34,420	-	214,048
Rainy Day	241,960	64,993	-	306,953
LOIT - Public Safety	60,202	210,985	300	270,887
Police Scholarship	4,670	2,643	2,900	4,413
Park Donation	75	-	-	75
Law Enforcement - Other	-	93,030	51,466	41,564
Law Enforcement Asset Forfeiture	21,105	-	21,105	-
Entryway C - Land Heights	2,643	-	2,643	-
Police Diversion	14,206	-	14,206	-
Police Special Expense	7,791	-	7,791	-
Police L.E.A.F. Grant	513	-	513	-
State Grant	-	51,413	-	51,413
Waterworks	660,017	91,094	87,834	663,277
Debt Service	48,780	108,657	137,036	20,401
Lease Rental	20,445	95,694	110,183	5,956
General Obligation 2009	-	650,000	45,198	604,802
General Project	249,671	139,595	135,677	253,589
Proprietary Funds:				
Wastewater Utility - Operating	1,338,396	1,409,249	1,699,457	1,048,188
Wastewater Utility - Bond and Interest	230,584	470,271	493,350	207,505
Wastewater Utility - Reserve	-	535,800	-	535,800
Wastewater Utility - Depreciation	993,812	274,228	426,000	842,040
Wastewater Utility - WW Interceptor Construction	1,199,440	63,171	1,144,893	117,718
Wastewater Utility - Construction Held By Fiscal Agent	-	852,010	110,341	741,669
Wastewater Utility - SRF/ARRA	-	216,026	216,026	-
Storm Water Utility - Operating	-	160,861	38,219	122,642
Fiduciary Funds:				
Payroll	12,736	1,184,536	1,186,871	10,401
Medical Flex Plan	(409)	12,170	12,197	(436)
Totals	<u>\$ 9,248,148</u>	<u>\$ 9,249,609</u>	<u>\$ 8,590,207</u>	<u>\$ 9,907,550</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, waste-water services, and storm water 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.

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 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 Events

On January 20, 2010, the Town Council approved the purchase of land in the amount of \$40,000.

On March 3, 2010, the Town Council approved the purchase of 5 cameras for an approximate cost of \$27,000.

On June 2, 2010, the Town Council approved the purchase of a police car in the amount of \$20,554.

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

The Town has entered into the following long-term debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
Cumberland Town Hall Building Corporation: Park and MVH Building	\$ 30,000	\$ 32,500
Bonds payable:		
General obligation bonds:		
Four Major Projects: Sidewalks, Pennsy Trail, Road 100 North, and Streetscape	1,095,000	91,110
Various Infrastructure Improvements	<u>650,000</u>	<u>13,815</u>
Total - bonds payable	<u>1,745,000</u>	<u>104,925</u>
Total governmental activities long-term debt	<u>\$ 1,775,000</u>	<u>\$ 137,425</u>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
New Wastewater Plant	<u>\$ 4,985,000</u>	<u>\$ 491,500</u>
Total business-type activities long-term debt	<u>\$ 4,985,000</u>	<u>\$ 491,500</u>

TOWN OF CUMBERLAND
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town and Utility does not maintain sufficient detailed records of capital assets. Not all purchases of capital assets are recorded, some assets were reported with incorrect cost amounts and acquisition dates. Historical costs for some of the reported capital assets were not supported by documentation. Assets with values below the Capitalization Policy thresholds were included. Deletions or disposals of capital assets were not all recorded. Construction in Progress expenditures were not properly tracked to be reclassified upon completion of the project. An inventory of the assets on hand was not performed at year end. In summary, the current capital asset listings are incomplete. A similar comment appeared in the prior two reports.

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 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)

DISPOSITION OF ASSETS

In 2009, the Town sold eight vehicles receiving a total of \$15,190 from the sale of these assets. Officials stated these were sold through either sealed bids or by auction but the supporting documentation was not presented for examination.

IC 5-22-22-4(a) states in part: "If the property to be sold is: (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more; the purchasing agent may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction." IC 5-22-22-5 states in part: "(a) If: (1) an auctioneer is not engaged . . . or (2) the surplus property is not sold through an Internet auction site under section 4.5 . . . the purchasing agent shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale. (b) Advertisement of the sale shall be made in accordance with IC 5-3-1. (c) All sales shall be made to the highest responsible bidder." IC 5-22-22-6 states: "If the property to be sold is: (1) one (1) item, with an estimated value of less than one thousand dollars (\$1,000); or (2) more than one (1) item, with an estimated total value of less than five thousand dollars (\$5,000); the purchasing agency may sell the property at a public or private sale or transfer the property, without advertising."

PUBLIC WORKS PROJECT

During 2009, the Town contracted with Harco Asphalt Paving Inc for road repairs and paving. The total amount paid was \$80,213. There was no evidence presented for examination that sealed bids were requested or received.

IC 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

TOWN OF CUMBERLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 36-1-12-4(b) states in part:

"The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

CONTRACTS

The Town paid the following contractual services without a contract: (1) Commonwealth Engineers, Inc., \$10,600, for a GEM Utility Study, and (2) Financial Solutions Group, Inc., \$5,900, for financial services related to GEM Utility. The Town also paid for various legal services without a contract.

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)

PARK AND RECREATION - BASEBALL DIAMONDS

The Town does not have a policy regarding the use of baseball diamonds located on the Town's park property. The policy should cover the risks of loss, fees to be charged, if any, and whether agreements waiving fees in return for provided services would be allowable, etc.

The governmental unit should ensure it is adequately protected for all risks of loss. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 36-10-3-22 states in part: ". . . (a) Park and recreation facilities and programs shall be made available to the public free of charge as far as possible. However, if it is necessary in order to provide a particular activity, the board may charge a reasonable fee."

WASTEWATER AND STORM WATER PENALTIES

The Town's policy is for all delinquent accounts to be assessed a 10% penalty. Errors were noted in the calculation of wastewater and storm water penalties. A similar comment appeared in prior Report B34815.

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)

TOWN OF CUMBERLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECORDS OF HOURS WORKED

Salaries of several officials and employees were allocated between the General Fund, Motor Vehicle Highway Fund, Park and Recreation Fund, and the Wastewater Operating Fund. A record of hours worked for each was not presented for examination.

IC 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

TOWN OF CUMBERLAND
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2010, with Grace M. Heck, Clerk-Treasurer; Jeffrey D. Sheridan, Town Manager; Donald Engerer, President of the Town Council; and Joe Siefker, Vice President of the Town Council. The official response has been made a part of this report and may be found on page 12.



**OFFICIAL RESPONSE
TO AUDIT FOR YEAR ENDED DECEMBER 31, 2009
TOWN OF CUMBERLAND
AUGUST 12, 2010**

Procedures are being set in place to track work-in-progress. Assets and inventory are scheduled to be audited by department heads. We have recently acquired Asset software, and are in the process of correcting items mentioned.

Written procedures for disposing of assets and the bidding of contracts will be emphasized and updated to make sure department heads understand their obligations.

Council will instruct consultants and the Town Attorney to make sure we have adequate contracts.

All other items of question are being addressed and corrected. Hopefully next year's remarks will take only one page if any at all. Our goal is to be in compliance.

Grace M. Heck
Clerk Treasurer