

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, 2010 to December 31, 2010



FILED
09/01/2011

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Grace M. Heck

01-01-08 to 12-31-11

President of the
Town Council

Donald Engerer
Mark T. Reynold

01-01-10 to 12-31-10
01-01-11 to 12-31-11



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 statement of the Town of Cumberland (Town), for the period of January 1, 2010 to December 31, 2010. 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.

As discussed in Note 1, the Town prepares its financial statements 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 basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement, and accordingly, we express no opinion on them.

The Town's response to the Examination Result(s) and Comment(s) identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management and Town Council and is not intended to be and should not be used by anyone other than these specified parties. 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

July 6, 2011

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FINANCIAL STATEMENT(S)

TOWN OF CUMBERLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 2,116,093	\$ 3,145,267	\$ 2,306,552	\$ 2,954,808
Motor Vehicle Highway	964,885	542,716	262,297	1,245,304
Local Road And Street	234,143	68,268	71,315	231,096
Park and Recreation	514,943	343,208	320,322	537,829
Police Scholarship	4,413	1,950	2,350	4,013
Law Enforcement Continuing Education	14,580	3,517	2,703	15,394
Riverboat Revenue Sharing	214,048	34,419	-	248,467
State Grant	51,413	35,165	-	86,578
Park Donation Fund	75	-	75	-
Rainy Day	306,953	119,637	-	426,590
Law Enforcement - Non Appropriated	-	-	1,033	(1,033)
LOIT - Public Safety	270,887	178,019	-	448,906
Law Enforcement-Other	41,564	38,659	54,161	26,062
General Obligation 2009	604,802	13,815	618,617	-
Lease Rental Payment	5,956	74,722	79,578	1,100
Debt Service	20,401	163,709	107,718	76,392
General Obligation Bond Proceeds	-	624,113	38,346	585,767
Economic Development Income Tax	-	47,655	13,380	34,275
General Project Fund	253,589	22,388	133,503	142,474
Payroll Operating	9,965	1,219,599	1,219,206	10,358
Waterworks	663,277	1,200,484	1,650,738	213,023
Wastewater Utility - Operating	1,048,188	3,829,440	3,875,464	1,002,164
Wastewater Utility - Bond & Interest	207,505	451,284	491,900	166,889
Wastewater Utility - Depreciation	842,040	61,237	822,446	80,831
Wastewater Utility - WW Interceptor Construction	117,718	539,050	581,693	75,075
Wastewater Utility - Reserve	535,800	-	-	535,800
Wastewater Utility - Construction Held by Fiscal Agent	741,669	2	629,774	111,897
Wastewater Utility - SRF/ARRA	-	351,974	351,974	-
Gem Wastewater Utility - Operating	-	133,536	122,634	10,902
Stormwater Utility - Operating	122,642	179,145	96,260	205,527
Stormwater Utility - Depreciation	-	40,686	40,686	-
Totals	<u>\$ 9,907,549</u>	<u>\$ 13,463,664</u>	<u>\$ 13,894,725</u>	<u>\$ 9,476,488</u>

The notes to the financial statement(s) are an integral part of this statement.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statement(s) are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with 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. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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. Gem Utilities Purchase and Funding

On November 19, 2010, the Town purchased Gem Utilities, Inc. (Sewage) and Gem Water, Inc. for a total purchase price of \$6,001,553.

The purchase was funded through cash on hand of \$812,725, Sewage Works Bond Anticipation Notes, Series 2010 of \$1,800,000, Waterworks Bond Anticipation Notes, Series 2010 of \$1,000,000, Junior Sewage Works Bonds, Series 2010B of \$1,500,000, and Junior Waterworks Bonds, Series 2010B of \$900,000.

The Junior Bonds were a private issue through Steve Reilly. The Junior Sewage Works Bonds, Series 2010B have an interest rate of 2.20% and are scheduled to be paid off in March 2031. The Junior Water Works Bonds, Series 2010B have an interest rate of 2.20% and are scheduled to be paid off in January 2031.

Note 8. Subsequent Events

A. State Revolving Fund (SRF) Loans

On March 25, 2011, the Town issued the Town of Cumberland Sewage Works Revenue Bond, Series 2011 in the amount of \$2,100,000. The bond issue was financed by the Indiana Finance Authority through the State's Wastewater Revolving Loan Program at an interest rate of 3.12%. The majority of the loan proceeds were used to pay off the 2010 Sewage Works Bond Anticipation Notes, Series 2010 of \$1,800,000 plus interest of \$9,063.

On June 8, 2011, the Town issued the Town of Cumberland Waterworks Revenue Bond, Series 2011 in the amount of \$1,000,000. The bond issue was financed by the Indiana Finance Authority through the State's Drinking Water Revolving Loan Program at an interest rate of 3.37%. The majority of the loan proceeds were used to pay off the 2010 Waterworks Bond Anticipation Notes, Series 2010 of \$1,000,000 plus interest of \$7,119.

B. Water Utility Removed from IURC

On March 20, 2011, the Town of Cumberland Water Utility (formerly Gem Water, Inc.) was withdrawn from the jurisdiction of the Indiana Utility Regulatory Commission (IURC).

C. Board Approved Items

Self Insurance Fund – Employee Health Insurance

On February 16, 2011, the Town Council approved the establishment of a Self Insurance Fund for Employee Health Insurance to be effective April 1st.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Purchase of Police Cars

On April 6, 2011, the Town Council approved the purchase of three new police patrol cars for a total purchase price of \$61,347.

Storm Water Construction Projects

On February 3, 2011, the Storm Water Utility Board awarded the Cumberland Proper South Storm Water Improvements, Phase II Project awarded to RCM Excavating, LLC for \$214,485.

On March 8, 2011, the Storm Water Utility Board awarded the Hugo Street Storm Water and Roadway Improvements Project awarded to Millennium Contractors, LLC for \$475,483.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Cumberland's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Park and Recreation	Police Scholarship	Law Enforcement Continuing Education	Riverboat Revenue Sharing	State Grant
Cash and investments - beginning	\$ 2,116,093	\$ 964,885	\$ 234,143	\$ 514,943	\$ 4,413	\$ 14,580	\$ 214,048	\$ 51,413
Receipts:								
Taxes	1,870,948	284,458	-	312,364	-	-	-	-
Licenses and permits	975	75	-	930	-	3,030	-	-
Intergovernmental	819,883	253,121	67,072	27,712	-	-	34,419	35,165
Charges for services	6	-	-	-	-	487	-	-
Fines and forfeits	13,996	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	439,459	5,062	1,196	2,202	1,950	-	-	-
Total receipts	<u>3,145,267</u>	<u>542,716</u>	<u>68,268</u>	<u>343,208</u>	<u>1,950</u>	<u>3,517</u>	<u>34,419</u>	<u>35,165</u>
Disbursements:								
Personal services	1,095,861	112,158	-	180,574	-	-	-	-
Supplies	165,385	38,501	-	17,259	-	-	-	-
Other services and charges	738,669	91,387	71,315	66,359	2,350	2,703	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	34,756	-	-	53,959	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	271,881	20,251	-	2,171	-	-	-	-
Total disbursements	<u>2,306,552</u>	<u>262,297</u>	<u>71,315</u>	<u>320,322</u>	<u>2,350</u>	<u>2,703</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>838,715</u>	<u>280,419</u>	<u>(3,047)</u>	<u>22,886</u>	<u>(400)</u>	<u>814</u>	<u>34,419</u>	<u>35,165</u>
Cash and investments - ending	<u>\$ 2,954,808</u>	<u>\$ 1,245,304</u>	<u>\$ 231,096</u>	<u>\$ 537,829</u>	<u>\$ 4,013</u>	<u>\$ 15,394</u>	<u>\$ 248,467</u>	<u>\$ 86,578</u>

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Park Donation Fund	Rainy Day	Law Enforcement Non-Appropriated	LOIT - Public Safety	Law Enforcement - Other	General Obligation 2009	Lease Rental Payment	Debt Service
Cash and investments - beginning	\$ 75	\$ 306,953	\$ -	\$ 270,887	\$ 41,564	\$ 604,802	\$ 5,956	\$ 20,401
Receipts:								
Taxes	-	-	-	-	-	-	13,831	121,032
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	119,637	-	178,019	9,720	-	1,334	10,672
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	25,637	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	3,302	13,815	59,557	32,005
Total receipts	-	119,637	-	178,019	38,659	13,815	74,722	163,709
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	43,136	-	-	-
Other services and charges	-	-	1,033	-	9,801	13,815	19,311	-
Debt service - principal and interest	-	-	-	-	-	-	32,500	91,110
Capital outlay	75	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	1,224	604,802	27,767	16,608
Total disbursements	75	-	1,033	-	54,161	618,617	79,578	107,718
Excess (deficiency) of receipts over disbursements	(75)	119,637	(1,033)	178,019	(15,502)	(604,802)	(4,856)	55,991
Cash and investments - ending	\$ -	\$ 426,590	\$ (1,033)	\$ 448,906	\$ 26,062	\$ -	\$ 1,100	\$ 76,392

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	General Obligation Bond Proceeds	Economic Development Income Tax	General Project Fund	Payroll Operating	Waterworks	Wastewater Utility - Operating	Wastewater Utility - Bond & Interest	Wastewater Utility - Depreciation
Cash and investments - beginning	\$ -	\$ -	\$ 253,589	\$ 9,965	\$ 663,277	\$ 1,048,188	\$ 207,505	\$ 842,040
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	47,655	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,398,272	-	-
Other receipts	624,113	-	22,388	1,219,599	1,200,484	2,431,168	451,284	61,237
Total receipts	624,113	47,655	22,388	1,219,599	1,200,484	3,829,440	451,284	61,237
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	24,531	13,380	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	491,500	-
Capital outlay	-	-	133,503	-	1,392	1,396	-	80,730
Utility operating expenses	-	-	-	-	102,335	776,076	-	10,345
Other disbursements	13,815	-	-	1,219,206	1,547,011	3,097,992	400	731,371
Total disbursements	38,346	13,380	133,503	1,219,206	1,650,738	3,875,464	491,900	822,446
Excess (deficiency) of receipts over disbursements	585,767	34,275	(111,115)	393	(450,254)	(46,024)	(40,616)	(761,209)
Cash and investments - ending	\$ 585,767	\$ 34,275	\$ 142,474	\$ 10,358	\$ 213,023	\$ 1,002,164	\$ 166,889	\$ 80,831

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility - WW Interceptor Construction	Wastewater Utility - Reserve	Wastewater Utility - Construction Held By Fiscal Agent	Wastewater Utility - SRF/ARRA	Gem Wastewater Utility - Operating	Stormwater Utility - Operating	Stormwater Utility - Depreciation	Totals
Cash and investments - beginning	\$ 117,718	\$ 535,800	\$ 741,669	\$ -	\$ -	\$ 122,642	\$ -	\$ 9,907,549
Receipts:								
Taxes	-	-	-	-	-	-	-	2,602,633
Licenses and permits	-	-	-	-	-	-	-	5,010
Intergovernmental	-	-	-	-	-	-	-	1,604,409
Charges for services	-	-	-	-	-	-	-	493
Fines and forfeits	-	-	-	-	-	-	-	39,633
Utility fees	-	-	-	-	-	179,145	-	1,577,417
Other receipts	539,050	-	2	351,974	133,536	-	40,686	7,634,069
Total receipts	539,050	-	2	351,974	133,536	179,145	40,686	13,463,664
Disbursements:								
Personal services	-	-	-	-	-	-	-	1,388,593
Supplies	-	-	-	-	-	-	-	264,281
Other services and charges	-	-	-	-	-	-	-	1,054,654
Debt service - principal and interest	-	-	-	-	-	-	-	615,110
Capital outlay	45,791	-	-	-	2,056	-	40,686	394,344
Utility operating expenses	-	-	-	-	120,078	55,259	-	1,064,093
Other disbursements	535,902	-	629,774	351,974	500	41,001	-	9,113,650
Total disbursements	581,693	-	629,774	351,974	122,634	96,260	40,686	13,894,725
Excess (deficiency) of receipts over disbursements	(42,643)	-	(629,772)	-	10,902	82,885	-	(431,061)
Cash and investments - ending	\$ 75,075	\$ 535,800	\$ 111,897	\$ -	\$ 10,902	\$ 205,527	\$ -	\$ 9,476,488

TOWN OF CUMBERLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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

Description of Asset	Ending Balance	Due Within One Year
Cumberland Civil Town Debt:		
Bonds payable:		
General obligation bonds:		
Four Major Projects, Series 2004:		
Sidewalks, Pennsy Trail, Road 100 North, and Streetscape	\$ 1,050,000	\$ 94,447
Various Infrastructure Improvements, Series 2009	<u>650,000</u>	<u>39,500</u>
Total - bonds payable	<u>1,700,000</u>	<u>133,947</u>
Water Utility:		
Revenue bonds:		
Gem Water Utility Purchase, Series 2010	<u>900,000</u>	<u>24,750</u>
Bond Anticipation Notes (BANS):		
Gem Water Utility Purchase, Series 2010	<u>1,000,000</u>	<u>1,007,119</u>
Wastewater Utility:		
Revenue bonds:		
New Wastewater Plant, Series 2007	4,690,000	499,500
Gem Wastewater Utility Purchase, Series 2010	<u>1,500,000</u>	<u>70,030</u>
Total - revenue bonds payable	<u>6,190,000</u>	<u>569,530</u>
Bond Anticipation Notes (BANS):		
Gem Water Utility Purchase, Series 2010	<u>1,800,000</u>	<u>1,809,063</u>
Total Debt	<u>\$ 11,590,000</u>	<u>\$ 3,544,409</u>

TOWN OF CUMBERLAND
EXAMINATION RESULT(S) AND COMMENT(S)

CREDIT CARD PURCHASES

The Town has an American Express account with cards issued to three individuals - the Clerk-Treasurer, the Police Chief (and department), and the Town Manager. Payments totaling \$1,309.02 for the Police Department and \$5,637.60 for the Town Manager were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. In addition, numerous meal receipts were supported by the summarized charge slip without the itemized meal slip. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. The Town's Travel Policy specifically states that actual expenses are to be supported by the original receipts.

Sales tax was observed paid on various credit card purchases.

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)

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)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OUT-OF-STATE CONFERENCES

The Town Manager attended two out of state conferences and each time stayed longer than the actual conference period plus he went on three tours at the Town's expense. The first conference was in New Orleans during April 2010. The conference dates were April 10, 2010 through April 13, 2010, but the hotel stay was for April 09, 2010 – April 15, 2010, an extra two days. The second conference was in San Jose during October 2010. The conference dates were October 17, 2010 through October 20, 2010, with a reception scheduled the evening of October 16, 2010. The Town Manager's Personal Conference Schedule did not show conference events scheduled for the 20th. The hotel stay was for October 15, 2010 through October 21, 2010, an extra two days. The Town Manager and 2010 Town Council President indicated it was common practice to arrive the day before the conference and leave the day following the conference; however, this is not specified in their travel policy, and it still left one day in question for each trip. Additionally, while in San Jose, the Town Manager went on two all day tours (Streets of San Francisco on October 16, 2010 and Monterey on October 18, 2010 and one three hour tour (San Jose City Orientation). Lastly, the conference only fee for the New Orleans conference was \$595 but the Town Manager charged \$1,139 an additional \$544 which was not supported by documentation.

The 2010 Town Council President did indicate that the entire duration of stay for the conferences along with activities were approved; however, the Town's Travel Policy does not provide for the payment of extra hotel charges due to arriving early or departing late in conjunction with conference attendance or the attending of tours at the Town's expense. Also, the Town's Travel Policy specifically states that actual expenses are to be supported by the original receipts.

TOWN OF CUMBERLAND
EXAMINATION RESULT(S) AND COMMENT(S)
(Continued)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

RECORD OF HOURS WORKED

Salaries of several officials and employees were allocated between the General Fund, Motor Vehicle Highway Fund, Park and Recreation Fund, Wastewater Operating Fund, and Storm Water Fund. A record of hours worked for each or other documentation to substantiate the allocation was not presented for examination. A similar comment appeared in the prior Report B37750.

Indiana Code 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 . . ."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town and Utilities do 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 three reports, most recently B37750.

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)

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, among other things, the risks of loss, fees to be charged, if any, and the allowability of waiving fees in return for provide services, etc.

TOWN OF CUMBERLAND
EXAMINATION RESULT(S) AND COMMENT(S)
(Continued)

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)

Indiana Code 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 DEPOSIT NOT INTACT

On March 26, 2010, reimbursement checks were received from employees for personal long distances calls, in the amount of \$94.23. These checks were substituted for cash from Wastewater collections on the Wastewater Utility's deposit and the cash was placed in the Petty Cash Fund. The next Petty Cash expense reimbursement claim showed the checks as a negative expense to the General Fund, which increased the General Fund balance, and reduced the amount of cash to replenish the Petty Cash Fund for the expenditures paid out. The Wastewater collections should have been deposited intact. The employee reimbursement checks should have been receipted in to the General Fund and deposited as Town collections.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WASTEWATER AND STORM WATER BILLINGS

During our sample testing, two errors were noted in the calculation of Wastewater and Storm Water billings that were attributed to incorrect input by the software company. The Clerk-Treasurer has contacted the software company and the applicable customers will receive a credit refund or be billed an additional charge whichever is applicable.

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
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2011, with Grace M. Heck, Clerk-Treasurer; Mark T. Reynold, President of the Town Council; and Jeffrey D. Sheridan, Town Manager; and Daniel L. Taylor, Town Attorney. The official response has been made a part of this report and may be found on page 23.



OFFICIAL RESPONSE

July 6, 2011

Credit Card Purchases: Instructions are being sent to all employees as to charge card rules and that Clerk Treasurer will not pay bills without the proper documentation.

CT understands there are certain circumstances where sales tax is unavoidable, but when she realized it was a habit to pay the sales tax, everyone was forwarded a sales tax reimbursement form and instructed that if they did not use the sales tax exempt form - they would need to request reimbursement.

Out-of-State Conferences: In instances where there are back-to-back conferences and it will save the Town money to stay over and fly directly to the second conference, the employee will determine this at the time the conferences are booked and get proper authority from the whole Council in advance of the trips.

Record of Hours Worked: Since several employees are paid from different funds, the Town Manager and Council President have agreed to document how the percentages are allocated and expensed. We are a small operation, and therefore it would not be cost effective to determine exact percentages. They will, however, try to determine a logical reasoning behind their conclusions.

Capital Asset Records: With existing Town assets, CT had spent much time in getting the assets in compliance with GASB 34, but fell just short of satisfactory. With the purchase, however, of the GEM Utilities (sanitary sewer and water), CT received a listing of assets with no amounts. Amounts have been requested, and once received will be input into the asset program.

Park and Recreation - Baseball Diamonds: Town Attorney has been instructed to compose a policy for the diamonds.

Wastewater Deposit Not In Tact: This was a one-time occurrence, a misunderstanding of how one could replenish petty cash, all money was accounted for, and it will not happen again.

Wastewater and Storm Water Billings: The software provider has been contacted and the error corrected. They have also agreed to update their online instructions which may have caused a misunderstanding of how to code certain items. Town employees will pull other accounts and check for accuracy.

A handwritten signature in cursive script that reads "Grace Heck".

Grace Heck
Town of Cumberland Clerk Treasurer