

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF CUMBERLAND  
MARION AND HANCOCK COUNTIES, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
05/22/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Grace Heck	01-01-08 to 12-31-15
President of the Town Council	Mark Reynolds	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Town of Cumberland (Town), for the year ended December 31, 2011. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement 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 of accounting 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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated April 10, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The Town's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit 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, Town Council, others within the entity, federal awarding agencies, and pass-through entities 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

April 10, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the Town of Cumberland (Town), for the year ended December 31, 2011, and have issued our report thereon dated April 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit 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, Town Council, others within the entity, federal awarding agencies, and pass-through entities 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

April 10, 2012

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF CUMBERLAND  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL	\$ 2,954,808	\$ 1,949,065	\$ 2,232,487	\$ 2,671,386
MOTOR VEHICLE HIGHWAY	1,245,304	441,529	388,970	1,297,863
LOCAL ROAD AND STREET	231,096	65,456	167,290	129,262
LAW ENFORCEMENT CONTINUING EDUCATION	15,394	2,305	12,599	5,100
PARK & RECREATION	537,829	164,583	299,223	403,189
RAINY DAY	426,590	-	-	426,590
ECONOMIC DEVELOPMENT INCOME TAX	34,275	-	354	33,921
LAW ENFORCEMENT-OTHER	26,062	37,731	16,987	46,806
RIVERBOAT REVENUE SHARING	248,467	34,419	126,848	156,038
LOIT - PUBLIC SAFETY	448,906	251,689	-	700,595
SALES TAX COLLECTED	-	14,559	14,559	-
LAW-DONATIONS-SCHOLARSHIP	4,013	3,627	1,750	5,890
STATE GRANT	86,578	31,716	-	118,294
LAW ENFORCEMENT NON APPROPRIATED	(1,033)	1,033	-	-
BOND & INTEREST DEBT SERVICE	76,392	38,676	95,048	20,020
GENERAL OBLIGATION 2009	-	63,704	40,000	23,704
LEASE RENTAL PAYMENT	1,100	-	-	1,100
GEN OBLIGATION BOND (PROCEEDS)	585,767	-	585,000	767
MEDICAL FLEX PLAN	(322)	2,887	889	1,676
SRF HELD BY AGENT - WATER	-	75,444	-	75,444
SRF HELD BY AGENT	111,897	3,661,241	3,099,898	673,240
GENERAL PROJECT FUND	142,474	175	94,845	47,804
PAYROLL OPERATING	635	11	-	646
PAYROLL NET SALARIES	(375)	266,143	266,203	(435)
PAYROLL FEDERAL WITHHOLDINGS	-	166,227	166,227	-
PAYROLL FICA WITHHOLDINGS	-	135,982	135,982	-
PAYROLL MEDICARE	-	37,916	37,916	-
PAYROLL STATE WITHHOLDINGS	-	45,973	45,980	(7)
PAYROLL COUNTY WITHHOLDINGS	-	18,183	18,186	(3)
PAYROLL PERF	160	-	-	160
PAYROLL PERF RETIREMENT	9,860	43,072	42,473	10,459
PAYROLL AFLAC	12	4,020	3,974	58
PAYROLL FOP DUES	847	3,648	3,422	1,073
PAYROLL GROUP INSURANCE	(441)	9,133	8,593	99
PAYROLL POLICE & FIRE INSURANCE	-	3,731	3,731	-
PAYROLL INSURANCE DENTAL	(43)	909	619	247
PAYROLL DEFERRED COMP	-	2,600	2,600	-
HEALTH SAVINGS ACCOUNT	-	17,363	17,363	-
PAYROLL INSURANCE VISION	32	1,062	1,103	(9)
PAYROLL MEDICAL FLEX	(7)	2,894	2,887	-
PAYROLL VOL LIFE INSURANCE	-	3,236	3,497	(261)
DIRECT DEPOSIT	-	662,788	662,788	-
PAYROLL MISCELLANEOUS DEDUCTION	-	508	508	-
STORMWATER UTILITY OPERATING	205,527	173,926	252,249	127,204
STORMWATER DEPRECIATION	-	732,599	732,599	-
SEWER OPERATING	1,002,164	1,331,048	1,421,720	911,492
SEWER DEPRECIATION	80,831	86,286	52,533	114,584
SEWER BOND RESERVE	535,800	-	535,800	-
SEWER BOND & INTEREST	166,889	499,789	499,931	166,747
SEWER CONSTRUCTION IN PROGRESS	75,075	861	7,436	68,500
GEM SANITARY UTILITY OPERATING	10,902	798,863	631,991	177,774
WATER UTILITY OPERATING	213,023	215,066	367,780	60,309
Totals	<u>\$ 9,476,488</u>	<u>\$ 12,103,676</u>	<u>\$ 13,102,838</u>	<u>\$ 8,477,326</u>

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

TOWN OF CUMBERLAND  
NOTES TO FINANCIAL STATEMENT

**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.

*B. Basis of Accounting*

The financial statement is 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 statement. The aggregate receipts include 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.

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.

TOWN OF CUMBERLAND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 television 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 statement. The aggregate disbursements include 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.

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.

TOWN OF CUMBERLAND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

**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.

TOWN OF CUMBERLAND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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 statement. 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 any replacement items purchased.

**Note 6. Pension Plan**

*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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

**Note 7. Subsequent Event – New Town Court**

Ordinance 2010-02 established a Town Court, which started operations in January 2012.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	LAW ENFORCEMENT CONTINUING EDUCATION	PARK & RECREATION	RAINY DAY
Cash and investments - beginning	\$ 2,954,808	\$ 1,245,304	\$ 231,096	\$ 15,394	\$ 537,829	\$ 426,590
Receipts:						
Taxes	1,069,600	260,943	-	-	146,442	-
Licenses and permits	2,336	75	-	1,850	1,140	-
Intergovernmental	690,184	178,006	65,142	-	14,457	-
Charges for services	55,014	-	-	-	780	-
Fines and forfeits	1,729	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	130,202	2,505	314	455	1,764	-
Total receipts	<u>1,949,065</u>	<u>441,529</u>	<u>65,456</u>	<u>2,305</u>	<u>164,583</u>	<u>-</u>
Disbursements:						
Personal services	1,249,050	117,936	-	-	188,750	-
Supplies	233,683	51,932	-	-	23,616	-
Other services and charges	685,254	102,395	167,290	12,599	64,830	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	64,500	116,707	-	-	22,027	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>2,232,487</u>	<u>388,970</u>	<u>167,290</u>	<u>12,599</u>	<u>299,223</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(283,422)</u>	<u>52,559</u>	<u>(101,834)</u>	<u>(10,294)</u>	<u>(134,640)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,671,386</u>	<u>\$ 1,297,863</u>	<u>\$ 129,262</u>	<u>\$ 5,100</u>	<u>\$ 403,189</u>	<u>\$ 426,590</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	ECONOMIC DEVELOPMENT INCOME TAX	LAW ENFORCEMENT OTHER	RIVERBOAT REVENUE SHARING	LOIT PUBLIC SAFETY	SALES TAX COLLECTED	LAW DONATIONS SCHOLARSHIP
Cash and investments - beginning	\$ 34,275	\$ 26,062	\$ 248,467	\$ 448,906	\$ -	\$ 4,013
Receipts:						
Taxes	-	-	-	-	14,559	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,440	34,419	251,689	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	33,551	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	2,740	-	-	-	3,627
Total receipts	<u>-</u>	<u>37,731</u>	<u>34,419</u>	<u>251,689</u>	<u>14,559</u>	<u>3,627</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	5,230	-	-	-	-
Other services and charges	354	11,757	-	-	-	1,750
Debt service - principal and interest	-	-	36,850	-	-	-
Capital outlay	-	-	89,998	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	14,559	-
Total disbursements	<u>354</u>	<u>16,987</u>	<u>126,848</u>	<u>-</u>	<u>14,559</u>	<u>1,750</u>
Excess (deficiency) of receipts over disbursements	<u>(354)</u>	<u>20,744</u>	<u>(92,429)</u>	<u>251,689</u>	<u>-</u>	<u>1,877</u>
Cash and investments - ending	<u>\$ 33,921</u>	<u>\$ 46,806</u>	<u>\$ 156,038</u>	<u>\$ 700,595</u>	<u>\$ -</u>	<u>\$ 5,890</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	STATE GRANT	LAW ENFORCEMENT NON APPROPRIATED	BOND & INTEREST DEBT SERVICE	GENERAL OBLIGATION 2009	LEASE RENTAL PAYMENT	GEN OBLIGATION BOND (PROCEEDS)
Cash and investments - beginning	\$ 86,578	\$ (1,033)	\$ 76,392	\$ -	\$ 1,100	\$ 585,767
Receipts:						
Taxes	-	-	-	54,505	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	31,716	-	-	9,199	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,033	38,676	-	-	-
Total receipts	<u>31,716</u>	<u>1,033</u>	<u>38,676</u>	<u>63,704</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	600	500	-	-
Debt service - principal and interest	-	-	94,448	39,500	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	585,000
Total disbursements	<u>-</u>	<u>-</u>	<u>95,048</u>	<u>40,000</u>	<u>-</u>	<u>585,000</u>
Excess (deficiency) of receipts over disbursements	<u>31,716</u>	<u>1,033</u>	<u>(56,372)</u>	<u>23,704</u>	<u>-</u>	<u>(585,000)</u>
Cash and investments - ending	<u>\$ 118,294</u>	<u>\$ -</u>	<u>\$ 20,020</u>	<u>\$ 23,704</u>	<u>\$ 1,100</u>	<u>\$ 767</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	MEDICAL FLEX PLAN	SRF HELD BY AGENT - WATER	SRF HELD BY AGENT	GENERAL PROJECT FUND	PAYROLL OPERATING
Cash and investments - beginning	\$ (322)	\$ -	\$ 111,897	\$ 142,474	\$ 635
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	2,887	75,444	3,661,241	175	11
Total receipts	2,887	75,444	3,661,241	175	11
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	3,099,898	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	94,845	-
Utility operating expenses	-	-	-	-	-
Other disbursements	889	-	-	-	-
Total disbursements	889	-	3,099,898	94,845	-
Excess (deficiency) of receipts over disbursements	1,998	75,444	561,343	(94,670)	11
Cash and investments - ending	\$ 1,676	\$ 75,444	\$ 673,240	\$ 47,804	\$ 646

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	PAYROLL NET SALARIES	PAYROLL FEDERAL WITHHOLDINGS	PAYROLL FICA WITHHOLDINGS	PAYROLL MEDICARE	PAYROLL STATE WITHHOLDINGS
Cash and investments - beginning	\$ (375)	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	<u>266,143</u>	<u>166,227</u>	<u>135,982</u>	<u>37,916</u>	<u>45,973</u>
Total receipts	<u>266,143</u>	<u>166,227</u>	<u>135,982</u>	<u>37,916</u>	<u>45,973</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	<u>266,203</u>	<u>166,227</u>	<u>135,982</u>	<u>37,916</u>	<u>45,980</u>
Total disbursements	<u>266,203</u>	<u>166,227</u>	<u>135,982</u>	<u>37,916</u>	<u>45,980</u>
Excess (deficiency) of receipts over disbursements	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>
Cash and investments - ending	<u>\$ (435)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7)</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	PAYROLL COUNTY WITHHOLDINGS	PAYROLL PERF	PAYROLL PERF RETIREMENT	PAYROLL AFLAC	PAYROLL FOP DUES
Cash and investments - beginning	\$ -	\$ 160	\$ 9,860	\$ 12	\$ 847
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	<u>18,183</u>	<u>-</u>	<u>43,072</u>	<u>4,020</u>	<u>3,648</u>
Total receipts	<u>18,183</u>	<u>-</u>	<u>43,072</u>	<u>4,020</u>	<u>3,648</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	<u>18,186</u>	<u>-</u>	<u>42,473</u>	<u>3,974</u>	<u>3,422</u>
Total disbursements	<u>18,186</u>	<u>-</u>	<u>42,473</u>	<u>3,974</u>	<u>3,422</u>
Excess (deficiency) of receipts over disbursements	<u>(3)</u>	<u>-</u>	<u>599</u>	<u>46</u>	<u>226</u>
Cash and investments - ending	<u>\$ (3)</u>	<u>\$ 160</u>	<u>\$ 10,459</u>	<u>\$ 58</u>	<u>\$ 1,073</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	PAYROLL GROUP INSURANCE	PAYROLL POLICE & FIRE INSURANCE	PAYROLL INSURANCE DENTAL	PAYROLL DEFERRED COMP	HEALTH SAVINGS ACCOUNT
Cash and investments - beginning	\$ (441)	\$ -	\$ (43)	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	9,133	3,731	909	2,600	17,363
Total receipts	<u>9,133</u>	<u>3,731</u>	<u>909</u>	<u>2,600</u>	<u>17,363</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	8,593	3,731	619	2,600	17,363
Total disbursements	<u>8,593</u>	<u>3,731</u>	<u>619</u>	<u>2,600</u>	<u>17,363</u>
Excess (deficiency) of receipts over disbursements	<u>540</u>	<u>-</u>	<u>290</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 247</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	PAYROLL INSURANCE VISION	PAYROLL MEDICAL FLEX	PAYROLL VOL LIFE INSURANCE	DIRECT DEPOSIT	PAYROLL MISCELLANEOUS DEDUCTION
Cash and investments - beginning	\$ 32	\$ (7)	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	1,062	2,894	3,236	662,788	508
Total receipts	<u>1,062</u>	<u>2,894</u>	<u>3,236</u>	<u>662,788</u>	<u>508</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	1,103	2,887	3,497	662,788	508
Total disbursements	<u>1,103</u>	<u>2,887</u>	<u>3,497</u>	<u>662,788</u>	<u>508</u>
Excess (deficiency) of receipts over disbursements	<u>(41)</u>	<u>7</u>	<u>(261)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ (261)</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	STORMWATER UTILITY OPERATING	STORMWATER DEPRECIATION	SEWER OPERATING	SEWER DEPRECIATION	SEWER BOND RESERVE
Cash and investments - beginning	\$ 205,527	\$ -	\$ 1,002,164	\$ 80,831	\$ 535,800
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	173,603	-	1,259,947	-	-
Other receipts	<u>323</u>	<u>732,599</u>	<u>71,101</u>	<u>86,286</u>	<u>-</u>
Total receipts	<u>173,926</u>	<u>732,599</u>	<u>1,331,048</u>	<u>86,286</u>	<u>-</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	732,599	-	52,533	-
Utility operating expenses	95,266	-	714,695	-	-
Other disbursements	<u>156,983</u>	<u>-</u>	<u>707,025</u>	<u>-</u>	<u>535,800</u>
Total disbursements	<u>252,249</u>	<u>732,599</u>	<u>1,421,720</u>	<u>52,533</u>	<u>535,800</u>
Excess (deficiency) of receipts over disbursements	<u>(78,323)</u>	<u>-</u>	<u>(90,672)</u>	<u>33,753</u>	<u>(535,800)</u>
Cash and investments - ending	<u>\$ 127,204</u>	<u>\$ -</u>	<u>\$ 911,492</u>	<u>\$ 114,584</u>	<u>\$ -</u>

TOWN OF CUMBERLAND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	SEWER BOND & INTEREST	SEWER CONSTRUCTION IN PROGRESS	GEM SANITARY UTILITY OPERATING	WATER UTILITY OPERATING	Totals
Cash and investments - beginning	\$ 166,889	\$ 75,075	\$ 10,902	\$ 213,023	\$ 9,476,488
Receipts:					
Taxes	-	-	-	-	1,546,049
Licenses and permits	-	-	-	-	5,401
Intergovernmental	-	-	-	-	1,276,252
Charges for services	-	-	-	-	55,794
Fines and forfeits	-	-	-	-	35,280
Utility fees	-	-	798,863	199,916	2,432,329
Other receipts	499,789	861	-	15,150	6,752,571
Total receipts	499,789	861	798,863	215,066	12,103,676
Disbursements:					
Personal services	-	-	-	-	1,555,736
Supplies	-	-	-	-	314,461
Other services and charges	-	-	-	-	4,147,227
Debt service - principal and interest	499,500	-	122,528	45,145	837,971
Capital outlay	-	2,634	-	-	1,175,843
Utility operating expenses	431	4,802	480,963	245,894	1,542,051
Other disbursements	-	-	28,500	76,741	3,529,549
Total disbursements	499,931	7,436	631,991	367,780	13,102,838
Excess (deficiency) of receipts over disbursements	(142)	(6,575)	166,872	(152,714)	(999,162)
Cash and investments - ending	\$ 166,747	\$ 68,500	\$ 177,774	\$ 60,309	\$ 8,477,326

TOWN OF CUMBERLAND  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 927,352	\$ -
Storm Water	3,250	9,438
Wastewater	-	181,635
Water	<u>1,143</u>	<u>37,274</u>
Totals	<u>\$ 931,745</u>	<u>\$ 228,347</u>

TOWN OF CUMBERLAND  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	CAPITAL IMPROVEMENTS	\$ 1,000,000	\$ 92,697
Storm Water:			
General obligation bonds	CAPITAL IMPROVEMENTS	635,000	54,050
Wastewater:			
Revenue bonds	INTERCEPTOR CONSTRUCTION	4,375,000	496,800
Revenue bonds	JUNIOR SEWAGE REVENUE BOND 2011	1,500,000	70,030
Revenue bonds	PURCHASE SEWER COMPANY	1,893,499	138,378
Total Wastewater		7,768,499	705,208
Water:			
Revenue bonds	JUNIOR WATER REVENUE BOND 2011	900,000	44,550
Revenue bonds	PURCHASE WATER COMPANY	980,000	72,689
Total Water		1,880,000	117,239
Totals		\$ 11,283,499	\$ 969,194

TOWN OF CUMBERLAND  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 440,165
Infrastructure	9,643,310
Buildings	1,110,550
Improvements other than buildings	34,031
Machinery, equipment and vehicles	1,274,587
Total governmental activities	12,502,643
Storm Water:	
Infrastructure	3,575,221
Wastewater:	
Land	727,642
Infrastructure	12,613,663
Buildings	912,455
Improvements other than buildings	943
Machinery, equipment and vehicles	4,942,118
Total Wastewater	19,196,821
Water:	
Land	460,000
Infrastructure	243,000
Buildings	100,000
Improvements other than buildings	200,000
Machinery, equipment and vehicles	200,000
Total Water	1,203,000
Total capital assets	\$ 36,477,685

TOWN OF CUMBERLAND  
AUDIT RESULTS AND COMMENTS

***CREDIT CARD PURCHASES***

As previously mentioned in Report B39171, the Town's American Express account payments included purchases totaling \$355.60 which were not adequately documented. These purchases were made with the Town Manager's credit card. Some of the purchases did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Several of these charge card purchases were for food or meals which did not have receipts, but only a summarized charge card slips as documentation. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Sales tax was observed paid on various credit card purchases. For the five months tested, sales tax paid was \$85.03.

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)

***RECORDS OF HOURS WORKED***

Salaries of several officials and employees were allocated between the General Fund, Motor Vehicle Highway Fund, Park and Recreation Fund, Water Operating 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 audit. A similar comment appeared in the prior two reports, most recently Report B39171.

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 . . ."

TOWN OF CUMBERLAND  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 and 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 four reports, most recently Report B39171.

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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Cumberland (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2011. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town's response to the findings identified in our audit is described in the accompanying Official Response. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities 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

April 10, 2012

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF CUMBERLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program BVP	16.607	2010	\$ <u>2,250</u>
Pass-Through Indiana Criminal Justice Institute Project Safe Neighborhoods 2008-PG-BX-0049	16.609	08-GPS-005	<u>17,000</u>
Total for federal grantor agency			<u>19,250</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW10224902	<u>867,824</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW10153001	<u>400,000</u>
Total for federal grantor agency			<u>1,267,824</u>
Total federal awards expended			<u>\$ 1,287,074</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF CUMBERLAND  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Cumberland (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

TOWN OF CUMBERLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

No matters are reportable.

TOWN OF CUMBERLAND  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

TOWN OF CUMBERLAND  
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2012, with Grace Heck, Clerk-Treasurer; Mark Reynolds, President of the Town Council; Jeffrey Sheridan, Town Manager; and Debbie Blevins, Deputy Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 39.

TOWN OF CUMBERLAND  
OFFICIAL RESPONSE  
FOR YEAR ENDING DECEMBER 31, 2011

CREDIT CARD PURCHASES –

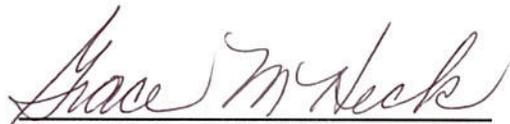
- A procedure has been established to make sure receipts are presented to the Clerk Treasurer and on a timely basis.
- Sales tax – notice has been given to employees that no sales tax will be paid by the Town and if charged, employee will be responsible. If the employee wishes reimbursement, they will need to request from the State. Reimbursement forms are available.

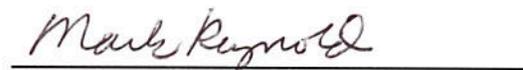
RECORDS OF HOURS WORKED –

- Effort is being made to better justify percentage of hours worked by employees who are paid from more than one fund. This will alleviate question as to whether Town and Utility funds are paying their correct share of payroll expenses.

CAPITAL ASSET RECORDS –

- Current inventory and asset lists will be sent to Department heads to verify they are still in the Town's possession.
- Department heads will inventory their assets and add to the lists any missing items.
- Unless an item is ready to be fully depreciated, acquisition dates will be corrected.
- Historical costs of the GEM utilities will be addressed by the Town Manager and communicated to the Clerk Treasurer for input into the Asset software.
- Inventory items are, by ordinance, not recorded unless cost is \$500 or greater. Capital assets are, by ordinance, not recorded unless cost is \$5,000 or greater. Assets less than \$500 will be removed, and all other items will be checked for accuracy in category identification.
- We look forward to Assets being removed from next year's audit remarks.

  
\_\_\_\_\_  
Grace M. Heck, Clerk Treasurer

  
\_\_\_\_\_  
Mark Reynold, Town Council President