

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF CUMBERLAND

MARION AND HANCOCK COUNTIES, INDIANA

January 1, 2012 to December 31, 2012



FILED
04/16/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	6
Notes to Financial Statement.....	7-11
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	14-21
Schedule of Payables and Receivables	22
Schedule of Leases and Debt	23
Schedule of Capital Assets.....	24
Other Report	25
Examination Results and Comments:	
Annual Financial Report	26
Official Bond	26-27
Exit Conference.....	28
Official Response	29

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Grace Heck (Vacant) Erica Salmon	01-01-12 to 11-28-14 11-29-14 to 11-30-14 12-01-14 to 12-31-15
President of the Town Council	Mark Reynold Joe Siefker	01-01-12 to 08-20-13 08-21-13 to 12-31-15
Town Manager	Jeff Sheridan (Vacant) Andrew Klinger	01-01-11 to 10-17-12 10-18-12 to 06-30-13 07-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 accompanying financial statement of the Town of Cumberland (Town), for the year ended December 31, 2012. 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 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 statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2012.

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, 2012, on the basis of accounting described in Note 1.

Our examination 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, 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 Results and Comments 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 22, 2015

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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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL	\$ 2,671,386	\$ 2,300,805	\$ 2,603,211	\$ 2,368,980
MOTOR VEHICLE HIGHWAY	1,297,863	427,994	442,460	1,283,397
LOCAL ROAD AND STREET	129,262	64,459	-	193,721
CANINE DRUG/ALCOHOL	-	3,026	1,409	1,617
LAW ENFORCE CONT ED	5,100	3,279	1,172	7,207
PARK & RECREATION	403,189	170,735	357,756	216,168
RAINY DAY	426,590	-	-	426,590
ECONOMIC DEV INCOME TAX	33,921	-	-	33,921
LAW ENFORCEMENT-OTHER	46,806	147,197	36,614	157,389
SELF FUNDED INSURANCE	1,676	530,160	457,675	74,161
TOWN COURT	-	28,168	16,398	11,770
COURT COSTS	-	3,705	2,511	1,194
RIVERBOAT REV SHARING	156,038	67,471	10,000	213,509
LOIT - PUBLIC SAFETY	700,595	415,773	130,000	986,368
SALES TAX COLLECTED	-	16,118	15,904	214
LAW-DONATIONS-SCHOLARSHIP	5,890	1,965	3,494	4,361
CRIME CONTROL	-	5,100	-	5,100
STATE GRANT	118,293	24,939	-	143,232
BOND & INT-DEBT SERVICE	20,020	73,278	93,298	-
GENERAL OBLIGATION 2009	23,704	54,009	68,378	9,335
LEASE RENTAL PAYMENT	1,100	-	-	1,100
GEN OBLIG BOND (PROCEEDS)	767	-	767	-
GENERAL PROJECT FUND	47,804	18	37,898	9,924
PAYROLL OPERATING	646	11	-	657
PAYROLL-NET SALARIES	(435)	260,345	259,789	121
PAYROLL-FEDERAL W/H	-	180,604	180,616	(12)
PAYROLL-FICA W/H	-	141,726	142,217	(491)
PAYROLL/MEDICARE	-	39,520	39,635	(115)
PAYROLL/STATE W/H	(7)	48,760	44,644	4,109
PAYROLL/COUNTY W/H	(3)	19,570	17,837	1,730
PAYROLL/PERF	160	-	-	160
PAYROLL-PERF-RETIREMENT	10,459	43,740	44,029	10,170
PAYROLL/AFLAC	58	3,693	3,693	58
PAYROLL/FOP DUES	1,073	4,050	4,111	1,012
PAYROLL/GROUP INSURANCE	99	18,404	14,231	4,272
PAYROLL/POLICE & FIRE INS	-	4,454	4,454	-
PAYROLL-INS DENTAL	247	814	-	1,061
P/R/DEF COMP/USCM/PEBSCO	-	2,600	2,600	-
HEALTH SAVINGS ACCOUNT	-	15,482	15,482	-
PAYROLL/INS VISION	(9)	1,357	1,500	(152)
PAYROLL-MEDICAL FLEX	-	-	1,260	(1,260)
PAYROLL-VOL LIFE INSURANCE	(262)	3,529	3,914	(647)
DIRECT DEPOSIT	-	691,119	691,119	-
PAYROLL/MISC DEDUCTION	-	1,072	1,072	-
PAYROLL-REIM BY EMPLOYEE	-	126	-	126
STRMWATER UTIL OPERATING	127,204	185,260	165,113	147,351
STRMWATER DEPRECIATION	-	21,676	21,676	-
SEWER OPERATING	911,492	1,387,161	1,275,937	1,022,716
SEWER DEPRECIATION	114,584	60,000	115,061	59,523
SEWER BOND & INTEREST	166,747	498,901	497,150	168,498
SEWER CONS IN PROG-INTERC	68,500	-	14,250	54,250
GEM SANI UTL OPERATING	122,780	855,514	699,285	279,009
GEM SANI UTL BND & INT	54,994	148,853	148,853	54,994
SRF DSR HELD BY AGENT -SEWER	673,240	-	-	673,240
WATER UTL OPERATING	54,168	261,150	254,305	61,013
WATER UTL BOND & INTERE	6,142	108,865	72,689	42,318
SRF DSR HELD BY AGENT -WATER	75,444	-	-	75,444
Totals	\$ 8,477,325	\$ 9,346,555	\$ 9,015,467	\$ 8,808,413

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.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT
(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.

Penalties which include fees received for late payments.

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.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT
(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
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of timing related to the payroll funds.

Note 8. Combined Funds

The WATER UTL OPERATING fund and the WATER UTL BOND & INTERE fund are reported individually in the current financial statement but were combined into one fund in the prior financial statement.

The GEM SANI UTL OPERATING fund and the GEM SANI UTL BND & INT fund are reported individually in the current financial statement but were combined into one fund in the prior financial statement.

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SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Town's 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 examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant'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, 2012

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	CANINE DRUG/ALCOHOL	LAW ENFORCE CONT ED	PARK & RECREATION	RAINY DAY	ECONOMIC DEV INCOME TAX
Cash and investments - beginning	\$ 2,671,386	\$ 1,297,863	\$ 129,262	\$ -	\$ 5,100	\$ 403,189	\$ 426,590	\$ 33,921
Receipts:								
Taxes	1,038,697	280,289	-	-	-	150,017	-	-
Licenses and permits	8,857	100	-	-	2,370	1,770	-	-
Intergovernmental	942,193	144,619	64,087	-	-	14,286	-	-
Charges for services	57,379	-	-	-	909	945	-	-
Fines and forfeits	4,895	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	248,784	2,986	372	3,026	-	3,717	-	-
Total receipts	2,300,805	427,994	64,459	3,026	3,279	170,735	-	-
Disbursements:								
Personal services	1,041,801	95,286	-	-	-	152,151	-	-
Supplies	206,257	31,717	-	1,409	-	21,765	-	-
Other services and charges	542,006	170,413	-	-	1,172	126,436	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	68,882	121,476	-	-	-	19,500	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	744,265	23,568	-	-	-	37,904	-	-
Total disbursements	2,603,211	442,460	-	1,409	1,172	357,756	-	-
Excess (deficiency) of receipts over disbursements	(302,406)	(14,466)	64,459	1,617	2,107	(187,021)	-	-
Cash and investments - ending	\$ 2,368,980	\$ 1,283,397	\$ 193,721	\$ 1,617	\$ 7,207	\$ 216,168	\$ 426,590	\$ 33,921

TOWN OF CUMBERLAND
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012
(Continued)

	LAW ENFORCEMENT- OTHER	SELF FUNDED INSURANCE	TOWN COURT	COURT COSTS	RIVERBOAT REV SHARING	LOIT - PUBLIC SAFETY	SALES TAX COLLECTED	LAW- DONATIONS- SCHOLARSHIP
Cash and investments - beginning	\$ 46,806	\$ 1,676	\$ -	\$ -	\$ 156,038	\$ 700,595	\$ -	\$ 5,890
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	640	-	-	-	67,471	415,773	-	-
Charges for services	307	-	-	-	-	-	-	-
Fines and forfeits	144,650	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	1,600	530,160	28,168	3,705	-	-	16,118	1,965
Total receipts	147,197	530,160	28,168	3,705	67,471	415,773	16,118	1,965
Disbursements:								
Personal services	-	456,979	-	-	-	-	-	-
Supplies	15,025	-	-	-	-	-	-	-
Other services and charges	14,996	-	-	-	-	130,000	-	3,494
Debt service - principal and interest	-	-	-	-	10,000	-	-	-
Capital outlay	6,000	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	593	696	16,398	2,511	-	-	15,904	-
Total disbursements	36,614	457,675	16,398	2,511	10,000	130,000	15,904	3,494
Excess (deficiency) of receipts over disbursements	110,583	72,485	11,770	1,194	57,471	285,773	214	(1,529)
Cash and investments - ending	\$ 157,389	\$ 74,161	\$ 11,770	\$ 1,194	\$ 213,509	\$ 986,368	\$ 214	\$ 4,361

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	CRIME CONTROL	STATE GRANT	BOND & INT-DEBT SERVICE	GENERAL OBLIGATION 2009	LEASE RENTAL PAYMENT	GEN OBLIG BOND (PROCEEDS)	GENERAL PROJECT FUND
Cash and investments - beginning	\$ -	\$ 118,293	\$ 20,020	\$ 23,704	\$ 1,100	\$ 767	\$ 47,804
Receipts:							
Taxes	-	-	55,446	48,230	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	24,939	4,865	5,012	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	5,100	-	12,967	767	-	-	18
Total receipts	5,100	24,939	73,278	54,009	-	-	18
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	600	500	-	-	-
Debt service - principal and interest	-	-	92,698	54,050	-	-	-
Capital outlay	-	-	-	-	-	-	37,898
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	13,828	-	767	-
Total disbursements	-	-	93,298	68,378	-	767	37,898
Excess (deficiency) of receipts over disbursements	5,100	24,939	(20,020)	(14,369)	-	(767)	(37,880)
Cash and investments - ending	\$ 5,100	\$ 143,232	\$ -	\$ 9,335	\$ 1,100	\$ -	\$ 9,924

TOWN OF CUMBERLAND
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012
(Continued)

	PAYROLL OPERATING	PAYROLL-NET SALARIES	PAYROLL- FEDERAL W/H	PAYROLL-FICA W/H	PAYROLL/ MEDICARE	PAYROLL/ STATE W/H	PAYROLL/ COUNTY W/H
Cash and investments - beginning	\$ 646	\$ (435)	\$ -	\$ -	\$ -	\$ (7)	\$ (3)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	11	260,345	180,604	141,726	39,520	48,760	19,570
Total receipts	11	260,345	180,604	141,726	39,520	48,760	19,570
Disbursements:							
Personal services	-	259,789	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	180,616	142,217	39,635	44,644	17,837
Total disbursements	-	259,789	180,616	142,217	39,635	44,644	17,837
Excess (deficiency) of receipts over disbursements	11	556	(12)	(491)	(115)	4,116	1,733
Cash and investments - ending	\$ 657	\$ 121	\$ (12)	\$ (491)	\$ (115)	\$ 4,109	\$ 1,730

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	PAYROLL/ PERF	PAYROLL- PERF- RETIREMENT	PAYROLL/ AFLAC	PAYROLL/FOP DUES	PAYROLL/ GROUP INSURANCE	PAYROLL/ POLICE & FIRE INS	PAYROLL-INS DENTAL
Cash and investments - beginning	\$ 160	\$ 10,459	\$ 58	\$ 1,073	\$ 99	\$ -	\$ 247
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	43,740	3,693	4,050	18,404	4,454	814
Total receipts	-	43,740	3,693	4,050	18,404	4,454	814
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	44,029	3,693	4,111	14,231	4,454	-
Total disbursements	-	44,029	3,693	4,111	14,231	4,454	-
Excess (deficiency) of receipts over disbursements	-	(289)	-	(61)	4,173	-	814
Cash and investments - ending	\$ 160	\$ 10,170	\$ 58	\$ 1,012	\$ 4,272	\$ -	\$ 1,061

TOWN OF CUMBERLAND
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012
(Continued)

	P/R/DEF COMP/USCM/ PEBS CO	HEALTH SAVINGS ACCOUNT	PAYROLL/INS VISION	PAYROLL- MEDICAL FLEX	PAYROLL-VOL LIFE INSURANCE	DIRECT DEPOSIT	PAYROLL/MISC DEDUCTION
Cash and investments - beginning	\$ -	\$ -	\$ (9)	\$ -	\$ (262)	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,600	15,482	1,357	-	3,529	691,119	1,072
Total receipts	2,600	15,482	1,357	-	3,529	691,119	1,072
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,600	15,482	1,500	1,260	3,914	691,119	1,072
Total disbursements	2,600	15,482	1,500	1,260	3,914	691,119	1,072
Excess (deficiency) of receipts over disbursements	-	-	(143)	(1,260)	(385)	-	-
Cash and investments - ending	\$ -	\$ -	\$ (152)	\$ (1,260)	\$ (647)	\$ -	\$ -

TOWN OF CUMBERLAND
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012
(Continued)

	PAYROLL-REIM BY EMPLOYEE	STRMWATER UTIL OPERATING	STRMWATER DEPRECIATION	SEWER OPERATING	SEWER DEPRECIATION	SEWER BOND & INTEREST	SEWER CONS IN PROG-INTERC
Cash and investments - beginning	\$ -	\$ 127,204	\$ -	\$ 911,492	\$ 114,584	\$ 166,747	\$ 68,500
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	184,559	-	1,376,183	-	-	-
Penalties	-	63	-	891	-	-	-
Other receipts	126	638	21,676	10,087	60,000	498,901	-
Total receipts	126	185,260	21,676	1,387,161	60,000	498,901	-
Disbursements:							
Personal services	-	48,704	-	45,700	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	5,000	-	16,798	-	-	-
Debt service - principal and interest	-	-	-	-	-	496,800	-
Capital outlay	-	-	21,676	-	115,061	-	14,250
Utility operating expenses	-	74,357	-	623,937	-	350	-
Other disbursements	-	37,052	-	589,502	-	-	-
Total disbursements	-	165,113	21,676	1,275,937	115,061	497,150	14,250
Excess (deficiency) of receipts over disbursements	126	20,147	-	111,224	(55,061)	1,751	(14,250)
Cash and investments - ending	\$ 126	\$ 147,351	\$ -	\$ 1,022,716	\$ 59,523	\$ 168,498	\$ 54,250

TOWN OF CUMBERLAND
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012
(Continued)

	GEM SANI UTL OPERATING	GEM SANI UTL BND & INT	SRF DSR HELD BY AGENT -SEWER	WATER UTL OPERATING	WATER UTL BOND & INTERE	SRF DSR HELD BY AGENT -WATER	Totals
Cash and investments - beginning	\$ 122,780	\$ 54,994	\$ 673,240	\$ 54,168	\$ 6,142	\$ 75,444	\$ 8,477,325
Receipts:							
Taxes	-	-	-	-	-	-	1,572,679
Licenses and permits	-	-	-	-	-	-	13,097
Intergovernmental	-	-	-	-	-	-	1,683,885
Charges for services	-	-	-	-	-	-	59,540
Fines and forfeits	-	-	-	-	-	-	149,545
Utility fees	795,504	-	-	254,655	-	-	2,610,901
Penalties	-	-	-	-	-	-	954
Other receipts	60,010	148,853	-	6,495	108,865	-	3,255,954
Total receipts	855,514	148,853	-	261,150	108,865	-	9,346,555
Disbursements:							
Personal services	80,445	-	-	76,623	-	-	2,257,478
Supplies	-	-	-	-	-	-	276,173
Other services and charges	7,591	-	-	6,470	-	-	1,025,476
Debt service - principal and interest	-	148,853	-	-	72,689	-	875,090
Capital outlay	15,516	-	-	-	-	-	420,259
Utility operating expenses	405,688	-	-	82,000	-	-	1,186,332
Other disbursements	190,045	-	-	89,212	-	-	2,974,659
Total disbursements	699,285	148,853	-	254,305	72,689	-	9,015,467
Excess (deficiency) of receipts over disbursements	156,229	-	-	6,845	36,176	-	331,088
Cash and investments - ending	\$ 279,009	\$ 54,994	\$ 673,240	\$ 61,013	\$ 42,318	\$ 75,444	\$ 8,808,413

TOWN OF CUMBERLAND
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 266,783	\$ -
Storm Water	-	14,757
Wastewater	-	298,026
Water	-	49,390
	<u> </u>	<u> </u>
Totals	<u>\$ 266,783</u>	<u>\$ 362,173</u>

TOWN OF CUMBERLAND
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	CAPITAL IMPROVEMENTS	\$ 1,555,000	\$ 154,797
Wastewater:			
Revenue bonds	JUNIOR SEWAGE REVENUE BOND 2011	1,500,000	-
Revenue bonds	INTERCEPTOR CONSTRUCTION	4,050,000	503,600
Notes and loans payable	PURCHASE SEWER COMPANY	1,985,000	141,308
Total Wastewater		7,535,000	644,908
Water:			
Revenue bonds	JUNIOR WATER REVENUE BOND 2011	900,000	-
Notes and loans payable	PURCHASE WATER COMPANY	960,000	72,015
Total Water		1,860,000	72,015
Totals		\$ 10,950,000	\$ 871,720

TOWN OF CUMBERLAND
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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	\$ 2,429,020
Infrastructure	7,654,455
Buildings	1,110,550
Improvements other than buildings	53,531
Machinery, equipment, and vehicles	<u>1,337,158</u>
Total governmental activities	<u>12,584,714</u>
Storm Water:	
Infrastructure	<u>4,307,820</u>
Wastewater:	
Land	138,585
Infrastructure	14,046,653
Buildings	2,072,455
Machinery, equipment, and vehicles	<u>3,592,151</u>
Total Wastewater	<u>19,849,844</u>
Water:	
Land	60,000
Infrastructure	1,769,000
Buildings	200,000
Machinery, equipment, and vehicles	<u>264,794</u>
Total Water	<u>2,293,794</u>
Total capital assets	<u><u>\$ 39,036,172</u></u>

TOWN OF CUMBERLAND
OTHER REPORT

The report presented herein was prepared in addition to the other official report prepared for the individual Town office listed below:

Town Court

TOWN OF CUMBERLAND
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Financial Report for 2012 contained a number of errors and did not properly reflect receipts, disbursements, and cash and investment balances of the Town. The activity from the Town Court was not included in the Annual Financial Report for 2012. As a result, the Town Court receipts, disbursements, and cash and investment balance were understated by the following amounts:

- Receipts were understated \$28,168.
- Disbursements were understated \$16,398.
- Ending cash and investment balance was understated \$11,770.

Additionally, the Town made adjustments to the beginning balances of certain funds for 2013, but did not change the ending balances in 2012. The ending balances of the following funds were impacted:

- Fund 601 Water Utl Operating was understated \$6,141.
- Fund 602 Water Utl Bond & Intere was understated \$36,176.
- Fund 615 GEM Sani Utl Operating was understated \$54,994.

Adjustments were proposed, approved by management, and made to the financial statement contained in the report.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OFFICIAL BOND

The Clerk-Treasurer's Surety Bond covering January 1, 2012 to January 1, 2013, in the amount of \$200,000 was insufficient per the Indiana Code requirements. Based on the receipts for 2011, the calculated official bond coverage would be \$338,255, but Indiana Code 5-4-1-18 limits bond coverage to a maximum of \$300,000 for all fiscal officers. The Clerk-Treasurer's official bond should have been \$300,000.

TOWN OF CUMBERLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee."

TOWN OF CUMBERLAND
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2015, with Grace Heck, former Clerk-Treasurer; Erica Salmon, Clerk-Treasurer; and Joe Siefker, President of the Town Council.



1/29/2015

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204
LDavid@sboa.in.gov

OFFICIAL RESPONSE

Town of Cumberland examination results and comments for the years 2012 and 2013.

ANNUAL REPORT – 2012 & 2013

Management approved changes to the report for both years. Differences noted in the results primarily came from the omission of the court account by the previous Clerk Treasurer. The current Clerk Treasurer will include court receipts and disbursements in the 2014 annual report.

BANK ACCOUNT RECONCILIATION - 2013

Examiners found several bank account reconciliations that did not balance. The net effect was \$86 cash overage across all funds. Management will make every effort to reconcile all accounts each month with no overages or shortages.

OFFICIAL BOND – 2012 & 2013

The town has requested an increase in the bond amount for the Clerk-Treasurer to \$300,000. This request was made on January 5th, 2015.

PENALTIES, INTEREST, AND OTHER CHARGES

An American Express bill was paid late during 2013 resulting in \$200 in penalties and interest. Management concurs that this was the case. Policies and procedures will be implemented to streamline efficiencies prevent further late payments.