

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

TOWN OF CUMBERLAND

MARION AND HANCOCK COUNTIES, INDIANA



FILED
10/10/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kay F. Dashley Linda J. Jeter	01-01-04 to 04-22-05 04-23-05 to 12-31-07
President of the Town Council	Sandra Cottey	01-01-05 to 12-31-06
Superintendent of Wastewater Utility	Winston Strunk	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cumberland (Town), as of and for the year ended December 31, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

The Schedule of Funding Progress as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 21, 2006

TOWN OF CUMBERLAND
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 339,759	\$ 69,219	\$ -	\$ (270,540)	\$ -	\$ (270,540)
Public safety	1,324,124	3,665	16,911	(1,303,548)	-	(1,303,548)
Highways and streets	1,508,597	-	250,815	(1,257,782)	-	(1,257,782)
Culture and recreation	186,009	1,632	-	(184,377)	-	(184,377)
Interest on long-term debt	52,059	-	-	(52,059)	-	(52,059)
Total governmental activities	<u>3,410,548</u>	<u>74,516</u>	<u>267,726</u>	<u>(3,068,306)</u>	<u>-</u>	<u>(3,068,306)</u>
Business-type activities:						
Wastewater	1,542,456	1,478,432	-	-	(64,024)	(64,024)
Total business-type activities	<u>1,542,456</u>	<u>1,478,432</u>	<u>-</u>	<u>-</u>	<u>(64,024)</u>	<u>(64,024)</u>
Total primary government	<u>\$ 4,953,004</u>	<u>\$ 1,552,948</u>	<u>\$ 267,726</u>	<u>(3,068,306)</u>	<u>(64,024)</u>	<u>(3,132,330)</u>
General receipts:						
Property taxes				1,953,684	-	1,953,684
Other local sources				783,364	-	783,364
Grants and contributions not restricted to specific programs				4,336	-	4,336
Unrestricted investment earnings				100,063	111,407	211,470
Refunds and reimbursements				20,114	-	20,114
Total general receipts				<u>2,861,561</u>	<u>111,407</u>	<u>2,972,968</u>
Change in net assets				(206,745)	47,383	(159,362)
Net assets - beginning				<u>4,625,767</u>	<u>3,386,380</u>	<u>8,012,147</u>
Net assets - ending				<u>\$ 4,419,022</u>	<u>\$ 3,433,763</u>	<u>\$ 7,852,785</u>
<u>Assets</u>						
Cash and investments				\$ 3,777,106	\$ 1,357,870	\$ 5,134,976
Restricted assets:						
Cash and investments				<u>641,916</u>	<u>2,075,893</u>	<u>2,717,809</u>
Total assets				<u>\$ 4,419,022</u>	<u>\$ 3,433,763</u>	<u>\$ 7,852,785</u>
<u>Net Assets</u>						
Restricted for:						
Debt service				\$ 91,859	\$ 866,724	\$ 958,583
Other purposes				550,057	1,209,169	1,759,226
Unrestricted				<u>3,777,106</u>	<u>1,357,870</u>	<u>5,134,976</u>
Total net assets				<u>\$ 4,419,022</u>	<u>\$ 3,433,763</u>	<u>\$ 7,852,785</u>

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

TOWN OF CUMBERLAND
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Motor Vehicle Highway	Park and Recreation	General Project	Waterworks	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 1,390,323	\$ 126,406	\$ 289,913	\$ -	\$ -	\$ 147,042	\$ 1,953,684
Licenses and permits	7,871	125	190	-	-	705	8,891
Intergovernmental	568,488	247,057	46,375	6,825	-	127,034	995,779
Charges for services	57,566	-	1,442	-	-	5,039	64,047
Fines and forfeits	1,545	-	-	-	-	14,523	16,068
Other	35,306	3,388	400	-	20,114	6,064	65,272
Total receipts	2,061,099	376,976	338,320	6,825	20,114	300,407	3,103,741
Disbursements:							
General government	245,222	-	-	-	-	-	245,222
Public safety	1,306,846	-	-	-	-	17,278	1,324,124
Highways and streets	-	500,431	-	-	-	278,986	779,417
Culture and recreation	-	-	185,632	-	-	377	186,009
Debt service:							
Principal	23,423	-	-	-	-	50,000	73,423
Interest	2,177	-	-	-	-	49,882	52,059
Capital outlay:							
Highways and streets	-	-	-	729,180	-	-	729,180
Total disbursements	1,577,668	500,431	185,632	729,180	-	396,523	3,389,434
Excess (deficiency) of revenue over disbursements	483,431	(123,455)	152,688	(722,355)	20,114	(96,116)	(285,693)
Other financing sources (uses)							
Transfers in	-	-	-	1,244,272	-	-	1,244,272
Transfers out	(1,244,272)	-	-	-	-	-	(1,244,272)
Other receipts	38,855	11,044	-	28,140	17,290	4,733	100,062
Other disbursements	-	-	-	-	-	(21,114)	(21,114)
Total other financing sources (uses)	(1,205,417)	11,044	-	1,272,412	17,290	(16,381)	78,948
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(721,986)	(112,411)	152,688	550,057	37,404	(112,497)	(206,745)
Cash and investment fund balance - beginning	1,812,315	1,113,101	434,318	-	557,021	709,012	4,625,767
Cash and investment fund balance - ending	\$ 1,090,329	\$ 1,000,690	\$ 587,006	\$ 550,057	\$ 594,425	\$ 596,515	\$ 4,419,022
Cash and Investment Assets - December 31							
Cash and investments	\$ 1,090,329	\$ 1,000,690	\$ 587,006	\$ -	\$ 594,425	\$ 504,656	\$ 3,777,106
Restricted assets:							
Cash and investments	-	-	-	550,057	-	91,859	641,916
Total cash and investment assets - December 31	\$ 1,090,329	\$ 1,000,690	\$ 587,006	\$ 550,057	\$ 594,425	\$ 596,515	\$ 4,419,022
Cash and Investment Fund Balance - December 31							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,859	\$ 91,859
Other purposes	-	-	-	550,057	-	-	550,057
Unrestricted	1,090,329	1,000,690	587,006	-	594,425	504,656	3,777,106
Total cash and investment fund balance - December 31	\$ 1,090,329	\$ 1,000,690	\$ 587,006	\$ 550,057	\$ 594,425	\$ 596,515	\$ 4,419,022

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

TOWN OF CUMBERLAND
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
As of and for the Year Ended December 31, 2005

	Wastewater Utility
Operating receipts:	
Measured revenue:	
Residential and commercial	\$ 1,430,841
Other	47,591
Total operating receipts	1,478,432
Operating disbursements:	
Equipment and capital improvements	287,632
Customer accounts	38,667
Administration and general	157,563
Salaries and wages	108,236
Employee pensions and benefits	30,547
Purchased wastewater treatment	442,266
Total operating disbursements	1,064,911
Excess of operating receipts over operating disbursements	413,521
Nonoperating receipts (disbursements):	
Interest receipts	111,407
Debt service of principal	(200,000)
Interest disbursement	(277,545)
Total nonoperating receipts (disbursements)	(366,138)
Excess of receipts, contributions and transfers in over disbursements and transfers out	47,383
Cash and investment fund balance - beginning	3,386,378
Cash and investment fund balance - ending	\$ 3,433,761
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 1,357,870
Restricted assets:	
Cash and investments	2,075,893
Total cash and investment assets - December 31	\$ 3,433,763
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 866,724
Other purposes	1,209,169
Unrestricted	1,357,870
Total cash and investment fund balance - December 31	\$ 3,433,763

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

TOWN OF CUMBERLAND
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2005

	<u>Agency Fund</u>
Additions:	
Agency fund additions	\$ <u>1,014,271</u>
Deductions:	
Agency fund deductions	<u>1,009,180</u>
Excess of total additions over total deductions	<u>5,091</u>
Cash and investment fund balance - beginning	<u>8,264</u>
Cash and investment fund balance - ending	<u><u>\$ 13,355</u></u>

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

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services and wastewater.

The accompanying financial statements present the activities of the Town (primary government). There are no significant component units which require inclusion.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for the resources used for the construction and maintenance of streets and alleys of the Town.

The park and recreation fund accounts for the resources used for the maintenance of parks of the Town.

The general projects fund accounts for the proceeds and distribution of funds obtained through a general obligation bond. The proceeds are to be used for several street and trail projects within the Town.

The waterworks fund accounts for the proceeds for the sale of the Water Utility in accordance with Indiana Code 8-1-2.32 and the interest earned on the proceeds.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major proprietary funds:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the Town reports the following fund types:

The agency fund accounts for assets held by the Town as an agent for payroll related withholdings and serves as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislations.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
General Fund	General Projects Fund	<u>\$ 1,244,272</u>

The Town typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

IV. Other Information

A. Risk Management

The Town is 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 and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or injuries to Employees

During 1991, the Town joined together with other governmental entities in the Indiana Public Employer's Plan, Inc, a public entity risk pool currently operating as a common risk management and insurance program for various governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its participation. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Holding Corporation

The Town has entered into a capital lease with Town Hall Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the year totaled \$65,000.

C. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Town Council on July 16, 2003.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

TOWN OF CUMBERLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 25,989
Interest on net pension obligation	585
Adjustment to annual required contribution	(667)
Annual pension cost	25,907
Contributions made	23,232
Increase in net pension obligation	2,675
Net pension obligation, beginning of year	8,073
Net pension obligation, end of year	\$ 10,748
Contribution rates:	
Town	3%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

TOWN OF CUMBERLAND
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 17,434	45%	\$ 279
	06-30-04	21,196	63%	8,073
	06-30-05	25,907	110%	10,748

TOWN OF CUMBERLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 435,368	\$ 353,568	\$ 81,800	123%	\$ 610,867	13%
07-01-04	434,633	431,460	3,173	101%	585,286	1%
07-01-05	452,946	460,151	(7,205)	98%	676,250	(1%)

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Local Road and Street	Law Enforcement Continuing Education	Riverboat	Rainy Day	Town Activity	Electronic Map Generated	Police Diversion	Police Scholarship
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	705	-	-	-	-	-	-
Intergovernmental	75,000	-	34,682	-	-	-	-	-
Charges for services	-	1,927	-	-	-	2	-	-
Fines and forfeits	-	-	-	-	-	-	14,523	-
Other	-	-	-	-	-	-	-	3,372
Total receipts	<u>75,000</u>	<u>2,632</u>	<u>34,682</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>14,523</u>	<u>3,372</u>
Disbursements:								
Public safety	-	2,020	-	-	-	-	10,959	2,060
Highways and streets	278,986	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	77	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total disbursements	<u>278,986</u>	<u>2,020</u>	<u>-</u>	<u>-</u>	<u>77</u>	<u>-</u>	<u>10,959</u>	<u>2,060</u>
Excess (deficiency) of revenue over disbursements	<u>(203,986)</u>	<u>612</u>	<u>34,682</u>	<u>-</u>	<u>(77)</u>	<u>2</u>	<u>3,564</u>	<u>1,312</u>
Other financing sources (uses)								
Other receipts	4,733	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>4,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(199,253)</u>	<u>612</u>	<u>34,682</u>	<u>-</u>	<u>(77)</u>	<u>2</u>	<u>3,564</u>	<u>1,312</u>
Cash and investment fund balance - beginning	<u>496,553</u>	<u>2,008</u>	<u>69,459</u>	<u>68,061</u>	<u>2,620</u>	<u>8</u>	<u>10,601</u>	<u>6,629</u>
Cash and investment fund balance - ending	<u>\$ 297,300</u>	<u>\$ 2,620</u>	<u>\$ 104,141</u>	<u>\$ 68,061</u>	<u>\$ 2,543</u>	<u>\$ 10</u>	<u>\$ 14,165</u>	<u>\$ 7,941</u>
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	\$ 297,300	\$ 2,620	\$ 104,141	\$ 68,061	\$ 2,543	\$ 10	\$ 14,165	\$ 7,941
Restricted assets:								
Cash and investments	-	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 297,300</u>	<u>\$ 2,620</u>	<u>\$ 104,141</u>	<u>\$ 68,061</u>	<u>\$ 2,543</u>	<u>\$ 10</u>	<u>\$ 14,165</u>	<u>\$ 7,941</u>
<u>Cash and Investment Fund Balance - December 31</u>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>297,300</u>	<u>2,620</u>	<u>104,141</u>	<u>68,061</u>	<u>2,543</u>	<u>10</u>	<u>14,165</u>	<u>7,941</u>
Total cash and investment fund balance - December 31	<u>\$ 297,300</u>	<u>\$ 2,620</u>	<u>\$ 104,141</u>	<u>\$ 68,061</u>	<u>\$ 2,543</u>	<u>\$ 10</u>	<u>\$ 14,165</u>	<u>\$ 7,941</u>

TOWN OF CUMBERLAND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Police Special Expense	Law Enforcement Asset Forfeiture	Park Donation	Police LEAF Grant	Police Equipment	Debt Service	Lease Rental	Totals
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,900	\$ 63,142	\$ 147,042
Licenses and permits	-	-	-	-	-	-	-	705
Intergovernmental	-	-	-	-	-	8,441	8,911	127,034
Charges for services	2,960	-	-	-	150	-	-	5,039
Fines and forfeits	-	-	-	-	-	-	-	14,523
Other	1,888	-	304	500	-	-	-	6,064
Total receipts	4,848	-	304	500	150	92,341	72,053	300,407
Disbursements:								
Public safety	1,775	-	-	464	-	-	-	17,278
Highways and streets	-	-	-	-	-	-	-	278,986
Culture and recreation	-	-	300	-	-	-	-	377
Debt service:								
Principal	-	-	-	-	-	-	50,000	50,000
Interest	-	-	-	-	-	34,882	15,000	49,882
Total disbursements	1,775	-	300	464	-	34,882	65,000	396,523
Excess (deficiency) of revenue over disbursements	3,073	-	4	36	150	57,459	7,053	(96,116)
Other financing sources (uses)								
Other receipts	-	-	-	-	-	-	-	4,733
Other disbursements	-	-	-	-	-	-	(21,114)	(21,114)
Total other financing sources (uses)	-	-	-	-	-	-	(21,114)	(16,381)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,073	-	4	36	150	57,459	(14,061)	(112,497)
Cash and investment fund balance - beginning	1,188	138	3,286	-	-	-	48,461	709,012
Cash and investment fund balance - ending	<u>\$ 4,261</u>	<u>\$ 138</u>	<u>\$ 3,290</u>	<u>\$ 36</u>	<u>\$ 150</u>	<u>\$ 57,459</u>	<u>\$ 34,400</u>	<u>\$ 596,515</u>
Cash and Investment Assets - December 31								
Cash and investments	\$ 4,261	\$ 138	\$ 3,290	\$ 36	\$ 150	\$ -	\$ -	\$ 504,656
Restricted assets:								
Cash and investments	-	-	-	-	-	57,459	34,400	91,859
Total cash and investment assets - December 31	\$ 4,261	\$ 138	\$ 3,290	\$ 36	\$ 150	\$ 57,459	\$ 34,400	\$ 596,515
Cash and Investment Fund Balance - December 31								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,459	\$ 34,400	\$ 91,859
Unrestricted	4,261	138	3,290	36	150	-	-	504,656
Total cash and investment fund balance - December 31	\$ 4,261	\$ 138	\$ 3,290	\$ 36	\$ 150	\$ 57,459	\$ 34,400	\$ 596,515

TOWN OF CUMBERLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2005

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 218,674
Infrastructure	13,218,533
Buildings	1,110,550
Machinery and equipment	854,656
Total governmental activities, capital assets not being depreciated	\$ 15,402,413
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 28,692
Construction in progress	75,787
Buildings	4,563,531
Improvements other than buildings	5,983,741
Machinery and equipment	1,899,927
Total Wastewater Utility capital asset:	\$ 12,551,678

TOWN OF CUMBERLAND
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT

For The Year Ended December 31, 2005

CAPITAL LEASES

The Town has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Building Bond Lease	\$ 240,020	\$ 290,000	\$ 65,000
Police Vehicle Leases	72,404	76,800	25,600
Total Lease Debt	<u>\$ 312,424</u>	<u>\$ 366,800</u>	<u>\$ 90,600</u>

LONG-TERM DEBT

	Ending Balance	Due Within One Year
Governmental Activities:		
Bonds payable:		
General Obligation Bond	\$ 1,250,000	\$ 30,000
Total governmental activities long-term debt	<u>\$ 1,250,000</u>	<u>\$ 30,000</u>
Wastewater Utility		
Revenue bonds:		
Sewage Works Bond (Net of Unamortized Bond Discount)	\$ 5,649,668	\$ 210,000
Total business activities long-term debt	<u>\$ 5,649,668</u>	<u>\$ 210,000</u>

TOWN OF CUMBERLAND
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2006, with Linda J. Jeter, Clerk-Treasurer; Kay F. Dashley, former Clerk-Treasurer; Sandra Cottey, President of the Town Council; and Debbie Blevins, Chief Deputy Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.