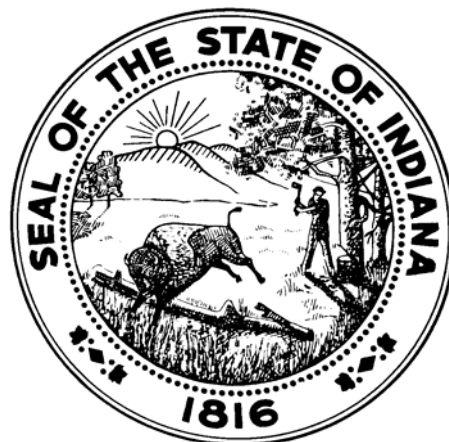


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF CUMBERLAND
MARION AND HANCOCK COUNTIES, INDIANA
January 1, 2006 to December 31, 2006



FILED
10/17/2007

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OFFICIALS

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



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 financial information presented herein of the Town of Cumberland (Town), for the period of January 1, 2006 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 31, 2007

TOWN OF CUMBERLAND
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 1,090,329	\$ 2,214,427	\$ 1,759,530	\$ 1,545,226
Motor Vehicle Highway	1,000,690	463,863	373,491	1,091,062
Park and Recreation	587,006	304,856	197,990	693,872
Waterworks	594,425	27,693	-	622,118
Debt Service	57,459	93,686	82,398	68,747
Local Road and Street	297,300	81,923	73,464	305,759
Police Law Enforcement Asset Forfeiture	138	283	148	273
Police Diversion	14,165	3,783	3,457	14,491
Entryway C-land	-	500	-	500
Park Donation	3,290	35	250	3,075
Electronic Map Generated	10	-	10	-
Riverboat	104,141	34,611	-	138,752
Rainy Day	68,061	25,000	-	93,061
Police Scholarship	7,941	3,610	3,964	7,587
Law Enforcement Continuing Education	2,620	2,519	1,632	3,507
Police Special Expense	4,261	4,440	2,850	5,851
Police L.E.A.F. Grant	36	600	600	36
Town Activity	2,543	-	159	2,384
Police Equipment	150	2,675	-	2,825
Lease Rental	34,400	66,272	66,600	34,072
General Project	550,057	74,140	232,934	391,263
Proprietary Funds:				
Wastewater Utility - Operating	1,357,870	1,800,040	1,838,043	1,319,867
Wastewater Utility - Depreciation	1,056,048	380,530	-	1,436,578
Wastewater Utility - Construction	153,121	3,296	156,417	-
Wastewater Utility - Bond and Interest	312,875	491,833	478,088	326,620
Wastewater Utility - Bond Reserve	553,849	26,651	-	580,500
Fiduciary Fund:				
Payroll	13,355	966,736	970,110	9,981
Totals	<u>\$ 7,866,140</u>	<u>\$ 7,074,002</u>	<u>\$ 6,242,135</u>	<u>\$ 8,698,007</u>

The accompanying notes are an integral part of the financial information.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, and wastewater.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF CUMBERLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

Utility Refunding Bond Issue

The Wastewater Utility issued \$6 million in refunding bonds on January 31, 2007. The issue will refund the 2001 Bonds outstanding. The 2007 Bonds will mature over the next 16 years with the final payment due on March 1, 2022. The bonds were issued at 4% interest with principal and interest payment due semiannually.

TOWN OF CUMBERLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

General infrastructure assets completed in the current year has been reported. Retroactive reporting of general infrastructure assets will occur by the end of the year.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 218,674
Infrastructure	13,218,533
Buildings	1,110,550
Vehicles	619,365
Machinery and equipment	<u>194,064</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 15,361,186</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
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
Miscellaneous 2006 Purchases	<u>9,692</u>
Total business-type activities capital assets	<u>\$ 12,561,370</u>

TOWN OF CUMBERLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

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

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police Cars	\$ 48,981	\$ 25,600
Park and MVH Building	190,000	64,000
Bonds payable:		
General Obligation Bonds:		
Four Major Projects: Sidewalks, Pennsy Trail, Road 100 North and Streetscape	1,220,000	40,000
Total governmental activities long-term debt	\$ 1,458,981	\$ 129,600
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
New Wastewater Plant	\$ 5,520,000	\$ 220,000
Total business-type activities long-term debt	\$ 5,520,000	\$ 220,000

TOWN OF CUMBERLAND
EXAMINATION RESULT AND COMMENT

UTILITY CAPITAL ASSET RECORDS

The Utility did not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets were added to an aggregate Utility Plant in Service account in the General Ledger. However, records providing historical costs for some of the Utility's capital assets were inaccurate or unavailable, and records classifying and summarizing the Utility's capital assets were incomplete. Deletions or disposals of capital assets were not recorded.

The Town hired a contractor to complete an inventory which would provide the detailed asset records and accumulated depreciation records for the Utility owned assets. This inventory, as presented, was incomplete and inaccurate and contained significant omissions. Corrections were made to the inventory report, but the records still contained some known significant omissions. Other errors noted on the inventory report were incorrect cost amounts of assets and acquisition dates. Some of the assets listed in the inventory of Utility Plant in Service were below the dollar thresholds in the capitalization policy.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CUMBERLAND
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2007, with Linda Jeter, Clerk-Treasurer; and Ron Sullivan, President of the Town Council. The officials concurred with our finding.