



**Auditor of State
Betty Montgomery**

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Cumberland
Guernsey County
424 Carl Street
Cumberland, Ohio 43732

To the Village Council:

We have audited the accompanying financial statements of the Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 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 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cumberland, Guernsey County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 10, 2005

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$16,004	\$9,387	\$	\$25,391
Intergovernmental Receipts	18,384	17,466		35,850
Earnings on Investments	314	87		401
Miscellaneous	31	25		56
Total Cash Receipts	<u>34,733</u>	<u>26,965</u>	<u>0</u>	<u>61,698</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,696	9,650		16,346
Public Health Services	1,278			1,278
Leisure Time Activities	568			568
Transportation		17,699		17,699
General Government	25,423			25,423
Capital Outlay	0	8,419	294	8,713
Total Cash Disbursements	<u>33,965</u>	<u>35,768</u>	<u>294</u>	<u>70,027</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>768</u>	<u>(8,803)</u>	<u>(294)</u>	<u>(8,329)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		2,500		2,500
Transfers-Out	(2,500)	0	0	(2,500)
Total Other Financing Receipts/(Disbursements)	<u>(2,500)</u>	<u>2,500</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(1,732)</u>	<u>(6,303)</u>	<u>(294)</u>	<u>(8,329)</u>
Fund Cash Balances, January 1	<u>8,512</u>	<u>12,844</u>	<u>294</u>	<u>21,650</u>
Fund Cash Balances, December 31	<u>\$6,780</u>	<u>\$6,541</u>	<u>\$0</u>	<u>\$13,321</u>
Reserves for Encumbrances, December 31	<u>\$628</u>	<u>\$1,533</u>	<u>\$0</u>	<u>\$2,161</u>

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$123,095
Total Operating Cash Receipts	123,095
Operating Cash Disbursements:	
Personal Services	29,994
Fringe Benefits	3,129
Contractual Services	16,703
Supplies and Materials	19,844
Other	2,548
Total Operating Cash Disbursements	72,218
Operating Income/(Loss)	50,877
Non-Operating Cash Receipts:	
Other Financing Sources	3,650
Total Non-Operating Cash Receipts	3,650
Non-Operating Cash Disbursements:	
Redemption of Principal	(27,405)
Interest and Other Fiscal Charges	(9,990)
Total Non-Operating Cash Disbursements	(37,395)
Net Receipts Over/(Under) Disbursements	17,132
Fund Cash Balances, January 1	14,621
Fund Cash Balances, December 31	\$31,753
Reserve for Encumbrances, December 31	\$1,487

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$15,333	\$8,576	\$	\$23,909
Intergovernmental Receipts	23,321	11,639	105,774	140,734
Earnings on Investments	327	108		435
Miscellaneous	2,362	240		2,602
	<u>41,343</u>	<u>20,563</u>	<u>105,774</u>	<u>167,680</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,338	8,104		13,442
Public Health Services	469			469
Leisure Time Activities	440	0		440
Transportation		12,689		12,689
General Government	30,534	408		30,942
Capital Outlay	0	0	111,472	111,472
	<u>36,781</u>	<u>21,201</u>	<u>111,472</u>	<u>169,454</u>
Total Cash Disbursements				
	<u>36,781</u>	<u>21,201</u>	<u>111,472</u>	<u>169,454</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>4,562</u>	<u>(638)</u>	<u>(5,698)</u>	<u>(1,774)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			2,700	2,700
Transfers-Out	(2,700)			(2,700)
	<u>(2,700)</u>	<u>0</u>	<u>2,700</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(2,700)</u>	<u>0</u>	<u>2,700</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,862	(638)	(2,998)	(1,774)
Fund Cash Balances, January 1	6,650	13,482	3,292	23,424
Fund Cash Balances, December 31	<u><u>\$8,512</u></u>	<u><u>\$12,844</u></u>	<u><u>\$294</u></u>	<u><u>\$21,650</u></u>
Reserves for Encumbrances, December 31	<u>\$365</u>	<u>\$990</u>	<u>\$0</u>	<u>\$1,355</u>

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$123,136
Total Operating Cash Receipts	123,136
Operating Cash Disbursements:	
Personal Services	28,169
Fringe Benefits	3,213
Contractual Services	29,858
Supplies and Materials	26,029
Other	170
Total Operating Cash Disbursements	87,439
Operating Income/(Loss)	35,697
Non-Operating Cash Receipts:	
Other Sources	6,000
Total Non-Operating Cash Receipts	6,000
Non-Operating Cash Disbursements:	
Redemption of Principal	(34,964)
Interest and Other Fiscal Charges	(10,800)
Total Non-Operating Cash Disbursements	(45,764)
Net Cash Receipts Over/(Under) Cash Disbursements	(4,067)
Fund Cash Balances, January 1	18,688
Fund Cash Balances, December 31	\$14,621
Reserve for Encumbrances, December 31	\$872

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Cumberland, Guernsey County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street maintenance, water utilities and park operations. The Village contracts with the Guernsey County Sheriff's department to provide security of persons and property. The Village appropriates General fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Tax Levy Fund- This fund receives tax money used to maintain and improve the fire protection services.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Grant Construction Fund – This fund receives grant monies from Ohio Public Works Commission and Ohio Department of Development which are being used for the Water System Upgrade and Water Tower Projects.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2003	2002
Demand deposits	\$45,074	\$36,271

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002, follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,739	\$34,733	(\$1,006)
Special Revenue	23,578	29,465	\$5,887
Capital Projects	4,434	0	(\$4,434)
Enterprise	124,800	126,745	1,945
Total	\$188,551	\$190,943	\$2,392

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,550	\$37,093	\$6,457
Special Revenue	35,242	37,301	(2,059)
Capital Projects	0	294	(294)
Enterprise	119,825	111,100	8,725
Total	\$198,617	\$185,788	\$12,829

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,222	\$41,343	\$6,121
Special Revenue	24,696	20,563	(4,133)
Capital Projects	109,607	108,474	(1,133)
Enterprise	120,840	129,136	8,296
Total	\$290,365	\$299,516	\$9,151

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,791	\$39,846	\$1,945
Special Revenue	34,974	22,191	12,783
Capital Projects	112,527	111,472	1,055
Enterprise	121,309	134,075	(12,766)
Total	\$310,601	\$307,584	\$3,017

Contrary to Ohio Revised Code Section 5705.41(D), the Village failed to obtain the clerk's prior certification for certain commitments during 2002 and 2003.

Contrary to Ohio Revised Code Section 5705.41(B), the Village had expenditures exceeding appropriations in 2003 for the Street Construction, Maintenance and Repair Fund, Special Revenue Fund type, by \$6,156 and for 2002 in the General Fund by a cumulative \$9,602, the Street Construction, Maintenance and Repair Fund, Special Revenue Fund type, by \$3,118 and the Water Operating Fund, Enterprise Fund type, by a cumulative \$13,660.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$176,085	5.00%
Promissory Note	18,544	6.00%
Ohio Public Works Commission Loan	<u>162,808</u>	0.00%
Total	<u><u>\$357,437</u></u>	

The Mortgage Revenue Bonds consist of the Waterworks System First Mortgage Revenue Bond and the Waterworks System First Mortgage Revenue Replacement Bond.

The Waterworks System First Mortgage Revenue Bond was issued for the purpose of improving the municipal waterworks. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The bonds are collateralized by a mortgage on the utility plant and all additions, extensions and improvements and by water revenue receipts.

The Mortgage System First Mortgage Revenue Replacement Bond was issued to retire previously issued registered bonds as of January 1, 1970 for improving the municipal waterworks. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The bonds are collateralized by a mortgage on the utility plant and all additions, extension and improvements and by water revenue receipts.

The Promissory Note was issued to make needed improvements to the Village water/utility department. It is currently paid in monthly amounts of \$444, combined principal and interest. The note is collateralized solely by the full faith, credit and revenue of the Village.

The Ohio Public Works Commission (OPWC) loan was issued to make needed repairs/improvements of the current water plant mandated by the Ohio Environmental Protection Agency. The Ohio Public Works Commission loan is collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>Mortgage Revenue Bonds</u>	<u>Promissory Note</u>	<u>Ohio Public Works Commission Loan</u>
Year ending December 31:			
2004	\$4,600	\$4,885	\$13,400
2005	18,100	5,329	13,400
2006	18,030	5,329	13,400
2007	18,940	4,885	13,400
2008	18,780		13,400
2009-2013	109,689		67,000
2014-2018	19,750		28,808
2019-2021	<u>11,050</u>		
Total	<u><u>\$218,939</u></u>	<u><u>\$20,428</u></u>	<u><u>\$162,808</u></u>

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Cumberland
Guernsey County
424 Carl Street
Cumberland, Ohio 43732

To the Village Council:

We have audited the financial statements of Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 10, 2005, wherein we noted the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-003 and 2003-004.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe finding 2003-003 to be a material weakness. We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Village's management in a separate letter dated February 10, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 10, 2005

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Fiscal officers may prepare so-called “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 89 percent of the transactions we tested in 2003, and 79 percent in 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-001 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.41(D) (1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code § 5705.41 (B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The expenditures exceeded the legislatively approved appropriations at the legal level of control in the following funds/accounts:

For 2002:

General Fund:

General Government:	
Contractual Services	\$2,264
Land and Buildings:	
Contractual Services	2,234
Supplies and Materials	5,104

Street Construction, Maintenance and Repair Fund:

Street Maintenance and Repair:	
Personal Services	3,118

Enterprise Fund:

Water Operating:	
Supplies and Materials	5,780

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.41(B) (Continued)

For 2002 (Continued):

Capital Outlay:	
Debt Service	7,880

For 2003:

Street Construction, Maintenance and Repair Fund:

Street Maintenance and Repair:	
Personal Services	6,156

We recommend the Village Clerk/Treasurer monitor available appropriations, and deny payments that exceed appropriations. If available resources exist to make payment, management should request the Village Council to consider amending appropriations through Council resolution.

FINDING NUMBER 2003-003

Material Weakness

The Village had a control procedure in which the Clerk reconciled the accounting system to the Village's bank account on a monthly basis. No independent person reviewed the monthly reconciliation for completeness and accuracy.

As a result, monthly reconciliations were prepared by the Clerk but monthly reconciliations contained reconciling items that were not valid. The Village incurred extra costs for a proof-of-cash to be prepared to allow the Township's accounting system to be reconciled to the Township's bank account for a two-year period.

We recommend that monthly bank reconciliations prepared by the Clerk be presented to a person independent of the reconciliation process for their review and approval.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-004

Reportable Condition

Public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a

The Village Clerk deposited all collections of utility billing and other Village receipts on a biweekly basis. There was no evidence provided that these undeposited collections were properly safeguarded. The Village accumulated undeposited amounts exceeding \$1,000 numerous times during the audit period.

We recommend the Village Clerk make timely deposits with the Village's depository. If this is not possible, the legislative authority should adopt a policy for collections under \$1,000.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-31030-001	Ohio Rev. Code Section 5705.41 (B) requires no subdivision or taxing authority to expend money unless it has been appropriated. Several funds had expenditures which exceeded appropriations in 2000 and 2001.	No	Not corrected; Repeated as Finding Number 2003-002.
2001-31030-002	Revised Code Section 5705.41(D) – failure to certify funds	No	Not corrected; Repeated as Finding Number 2003-001.



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VILLAGE OF CUMBERLAND

GUERNSEY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 1, 2005**