



Dave Yost • Auditor of State



VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Cumberland  
Guernsey County  
402 Mill Street  
P.O. Box 103  
Cumberland, Ohio 43732-0103

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cumberland, Guernsey County, as of December 31, 2013 and December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 3, 2014

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$17,216	\$12,703		\$29,919
Intergovernmental	11,598	23,503	\$4,191	39,292
Earnings on Investments	331	160		491
Miscellaneous	1,451	1,270		2,721
<i>Total Cash Receipts</i>	<u>30,596</u>	<u>37,636</u>	<u>4,191</u>	<u>72,423</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property		27,939		27,939
Leisure Time Activities		1,500		1,500
Transportation		20,294		20,294
General Government	20,241	1,840		22,081
Capital Outlay		894	153,731	154,625
<i>Total Cash Disbursements</i>	<u>20,241</u>	<u>52,467</u>	<u>153,731</u>	<u>226,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,355</u>	<u>(14,831)</u>	<u>(149,540)</u>	<u>(154,016)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			153,731	153,731
Advances In	5,000	5,000		10,000
Advances Out	(5,000)	(5,000)		(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>153,731</u>	<u>153,731</u>
<i>Net Change in Fund Cash Balances</i>	10,355	(14,831)	4,191	(285)
<i>Fund Cash Balances, January 1, (restated, see note 3)</i>	<u>592</u>	<u>95,877</u>	<u>23,269</u>	<u>119,738</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	81,046	27,460	108,506
Unassigned (Deficit)	10,947			10,947
<i>Fund Cash Balances, December 31</i>	<u>\$10,947</u>	<u>\$81,046</u>	<u>\$27,460</u>	<u>\$119,453</u>

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$52,725
<i>Total Operating Cash Receipts</i>	52,725
<b>Operating Cash Disbursements</b>	
Personal Services	7,376
Employee Fringe Benefits	1,602
Contractual Services	26,767
Supplies and Materials	16
Other	4,725
<i>Total Operating Cash Disbursements</i>	40,486
<i>Operating Income (Loss)</i>	12,239
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	24,987
Other Debt Proceeds	5,861
Principal Retirement	(28,982)
<i>Total Non-Operating Receipts (Disbursements)</i>	1,866
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	14,105
<i>Net Change in Fund Cash Balances</i>	14,105
<i>Fund Cash Balances, January 1</i>	93,511
<i>Fund Cash Balances, December 31</i>	\$107,616

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



**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$14,954	\$10,293		\$25,247
Intergovernmental	13,809	25,250	\$3,399	42,458
Earnings on Investments	315	192		507
Miscellaneous	7,048	4,120		11,168
<i>Total Cash Receipts</i>	<u>36,126</u>	<u>39,855</u>	<u>3,399</u>	<u>79,380</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property		11,255		11,255
Leisure Time Activities		2,408		2,408
Transportation		19,757		19,757
General Government	46,530	943		47,473
Capital Outlay		154	202,055	202,209
<i>Total Cash Disbursements</i>	<u>46,530</u>	<u>34,517</u>	<u>202,055</u>	<u>283,102</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,404)</u>	<u>5,338</u>	<u>(198,656)</u>	<u>(203,722)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			202,055	202,055
Advances In	10,725			10,725
Advances Out	(10,725)			(10,725)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>202,055</u>	<u>202,055</u>
<i>Net Change in Fund Cash Balances</i>	(10,404)	5,338	3,399	(1,667)
<i>Fund Cash Balances, January 1</i>	<u>10,996</u>	<u>79,220</u>	<u>19,870</u>	<u>110,086</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	84,558	23,269	107,827
Unassigned (Deficit)	592	0	0	592
<i>Fund Cash Balances, December 31</i>	<u><u>\$592</u></u>	<u><u>\$84,558</u></u>	<u><u>\$23,269</u></u>	<u><u>\$108,419</u></u>

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$159,195
<i>Total Operating Cash Receipts</i>	159,195
<b>Operating Cash Disbursements</b>	
Personal Services	19,235
Employee Fringe Benefits	3,181
Contractual Services	111,843
Supplies and Materials	6,913
Claims	346
<i>Total Operating Cash Disbursements</i>	141,518
<i>Operating Income (Loss)</i>	17,677
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	28,055
Principal Retirement	(34,282)
Interest and Other Fiscal Charges	(1,550)
<i>Total Non-Operating Receipts (Disbursements)</i>	(7,777)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	9,900
Advances In	10,725
Advances Out	(10,725)
<i>Net Change in Fund Cash Balances</i>	9,900
<i>Fund Cash Balances, January 1</i>	83,611
<i>Fund Cash Balances, December 31</i>	\$93,511

*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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cumberland, Guernsey County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village also has an appointed Village Fiscal Officer and elected Mayor. The Village provides general government services, including water utilities, park operations and street maintenance. The Village appropriates Fire Fund money to support the volunteer fire department.

The Village participates in a public entity risk pool and is associated with a related organization. Note 8 to the financial statements provide additional information for this entity. This organization is:

Public Entities Pool of Ohio (PEP):

*Provides insurance coverage for general liability and casualty, public official's liability and property.*

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Fire Levy Fund – This fund receives property tax money to provide fire protection to Village residents.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing 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 OWDA grant and loan funding for the water and sewer improvement projects.

**4. Proprietary Funds**

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives monthly sewer service charges from residents to cover sewer pre-payments on connections.

**D. 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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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 approve estimated resources.

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	\$227,069	\$201,930
Total deposits	\$227,069	\$201,930

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. .

**3. Restatement of Fund Balance**

For the year ended December 31, 2002, an adjustment resulted in fund balance restatement.

Governmental Funds	Fund Balance at December 31, 2012	Restatement Amount	Fund Balance at January 1, 2013
Special Revenue	\$84,558	\$11,319	\$95,877

The change in fund balances for the Fire Levy Fund, Special Revenue fund type, is the result of the Village voiding an outstanding check at December 31, 2012 and re-issuing in 2013.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,160	\$30,596	(\$2,564)
Special Revenue	44,054	37,636	(6,418)
Capital Projects	157,922	157,922	0
Enterprise	95,919	83,573	(12,346)
Total	\$331,055	\$309,727	(\$21,328)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,277	\$20,241	\$12,036
Special Revenue	86,082	57,723	28,359
Capital Projects	178,731	153,731	25,000
Enterprise	257,055	69,682	187,373
Total	\$554,145	\$301,377	\$252,768

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,589	\$36,126	(\$3,463)
Special Revenue	39,203	39,856	653
Capital Projects	238,853	205,454	(33,399)
Enterprise	329,650	187,250	(142,400)
Total	\$647,295	\$468,686	(\$178,609)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,345	\$46,530	\$2,815
Special Revenue	74,405	34,706	39,699
Capital Projects	258,723	202,055	56,668
Enterprise	346,083	179,335	166,748
Total	\$728,556	\$462,626	\$265,930

Contrary to Ohio Rev. Code Section 5705.41(D) the Village failed to consistently obtain the Fiscal Officer's prior certification prior to incurring an obligation. Also, contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the Fire Levy Fund, Special Revenue Fund type, in 2013. .

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Property Tax**

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

Public utilities are also taxed on personal and real property located within the Village.

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

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$113,900	0.00%
Mortgage Revenue Bonds	\$25,000	5.00%
OWDA Loan #5278	\$357,347	0.00%
OWDA Loan #5820	\$295,031	3.86%
OWDA Loan #5820	20,211	4.34%
OWDA Loan #5911	\$62,280	0.00%
Total	<u>\$873,769</u>	

The Ohio Public Works Commission (OPWC) loan was issued to make needed repairs and improvements of the water plant mandated by the Ohio Environmental Protection Agency. The Village's taxing authority collateralizes the OPWC loan. This debt was issued in 2002 for \$268,000 at 0% interest and will be repaid in semiannual payments of \$6,700.

The Mortgage Revenue Bond consists of the Waterworks System First Mortgage Revenue Bond. The Waterworks System First Mortgage Revenue Bond was issued in 1981 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, improvements and by water revenue receipts. The interest rate is 5% and the debt will be repaid in annual installments of \$3,000 plus interest until the final payment of \$4,000 plus interest in 2021.

In 2009 the Village entered into a 0% loan agreement with the Ohio Water Development Authority (OWDA). The loan amount is \$397,719. The loan is for a booster station and waterline project to connect to the Village of Byesville water plant. The Village was required to start repayment in January, 2011 in semi-annual installments of \$6,729. The loan will mature July, 2040.

In 2010 the Village entered into a 4.34% loan agreement with the Ohio Water Development Authority (OWDA) for a preliminary engineering report for the sewer project. The loan was for \$20,000 plus capitalized interest. This loan is to be paid in semi-annual installments of \$500 beginning January 1, 2012 for a term of five years. A balloon payment is due on July 1, 2016.



**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt (Continued)**

In 2011 the Village entered into a 0% loan agreement with the Ohio Water Development Authority (OWDA) as a supplemental loan to the booster station and waterline project. The loan is for \$99,323. This loan is to be paid in semi-annual installments of \$1,712 beginning January 1, 2012 for a term of 29 years. The Village has drawn down \$69,130 and \$30,193 remains to be drawn down. The loan is not fully disbursed and the amortization for this loan is not included in the table below.

In 2013 the Village entered into a 0% loan agreement with the Ohio Water Development Authority (OWDA) for the construction of a wastewater treatment system. The loan is for \$1,573,084. The loan is for 20 years beginning January 1, 2016 to July 1, 2035. The loan is not fully disbursed and the amortization for this loan is not included in the table below.

In 2013 the Village entered into a 3.86% loan agreement with the Ohio Water Development Authority (OWDA) as a supplemental loan to the booster station and waterline project. The loan is for \$295,000. This loan is to be paid in semi-annual installments of \$1,712 beginning January 1, 2012 for a term of 29 years. The Village has drawn down \$285,378 and \$9,627 remains to be drawn down. The loan is not fully disbursed and the amortization for this loan is not included in the table below.

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

Year ending December 31:	Mortgage Revenue Bond	Ohio Public Works Commission	OWDA Loans #5278/5820
2014	\$4,250	\$13,400	\$14,457
2015	4,100	13,400	14,457
2016	3,950	13,400	33,959
2017	3,800	13,400	13,457
2018	3,650	13,400	13,457
2019-2023	11,050	46,900	67,285
2024-2028			67,285
2029-2033			67,285
2034-2038			67,285
2039-2043			26,914
Total	\$30,800	\$113,900	\$385,841

**7. Retirement Systems**

OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of the participants' gross salaries. Some of the Village's elected officials pay into the Social Security system instead of OPERS. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013 (the latest information available)

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 466 and 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Government's share of these unpaid claims collectible in future years is approximately \$2,400.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Risk Management (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>Contributions to PEP</u></b>	
<b><u>2013</u></b>	<b><u>2012</u></b>
\$3,463	\$3,175

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Cumberland  
Guernsey County  
402 Mill Street  
P.O. Box 103  
Cumberland, Ohio 43732-0103

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 3, 2014, wherein we noted the Village followed accounting financial reporting provisions of Ohio Rev. Code Section 117.38 and the Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of internal control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-001, in the accompanying Schedule of Findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* in the accompanying Schedule of Findings as Findings 2013-001 through 2013-003.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 3, 2014

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2013-001**

**Noncompliance/Material Weakness**

Ohio Admin. Code § 117-2-02(A) requires that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

During 2013, the Fiscal Officer posted certain transactions incorrectly as follows:

- OWDA Loan Draws were posted to intergovernmental in the Issue II Fund instead of other debt proceeds in the Grant Construction Fund in the amount of \$13,801;
- OWDA Loan Draws were posted to other debt proceeds in the Sewer Operating Fund instead of other debt proceeds in the Grant Construction Fund in the amount of \$130,443; and
- OWDA Loan Disbursements were posted to contractual services in the Sewer Operating Fund instead of capital outlay in the Grant Construction Fund in the amount of \$144,244.

During 2012, the Fiscal Officer posted certain transactions incorrectly as follows:

- OWDA Loan Draw was posted to intergovernmental instead of other debt proceeds in the Grant Construction Fund in the amount of \$59,166;
- OWDA Loan Draws were posted to other debt proceeds in the Sewer Operating Fund instead of other debt proceeds in the Grant Construction Fund in the amount of \$140,100; and
- OWDA Loan Disbursements were posted to contractual services in the Sewer Operating Fund instead of capital outlay in the Grant Construction Fund in the amount of \$140,100.

These significant adjustments/reclassifications were due to a lack of management oversight. The significant adjustments/reclassifications, with which management agrees, were posted to the financial statements of the Village by the Fiscal Officer on October 13, 2014.

We recommend the Fiscal Officer refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures.

**FINDING NUMBER 2013-002**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2013, expenditures exceeded appropriations in the amount of \$11,310 in the Fire Fund.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-002 (Continued)**

**Noncompliance Citation (Continued)**

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

We recommend the Fiscal Officer compares expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2013-003**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

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 \$3,000 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. Blanket Certificate – Fiscal officers may prepare so-called "blanket" certificates against any specific line item account over a period not 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. 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.
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. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.



VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2013-003 (Continued)

**Noncompliance Citation (Continued)**

The Village did not certify the availability of funds prior to purchase commitment for twelve percent of the expenditures tested in 2012 and nineteen percent in 2013 and there was no evidence the Village followed the aforementioned exceptions.

In addition, the Village used blanket certificates during 2012 and 2013 but there was nothing on file to note that they passed a resolution establishing a threshold for blanket certificates.

We recommend the Fiscal Officer follow the above noted Ohio Revised Code section when issuing purchase orders, blanket or super blanket certificates. We further recommend the Village Council pass a resolution establishing the threshold amount for the blanket certificates.

VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Recording Activity for Construction Project improperly.	No	Repeated as Finding 2013-001



# Dave Yost • Auditor of State

**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  
NOVEMBER 18, 2014**