



Dave Yost • Auditor of State

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016.....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type - For the Year Ended December 31, 2016.....	4
Notes to the Financial Statements – December 31, 2016.....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015.....	13
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2016.....	14
Notes to the Financial Statements – December 31, 2015.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	27

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Cumberland
Guernsey County
P.O. Box 103
Cumberland, Ohio 43732

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 such 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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016 and 2015, 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Cumberland, Guernsey County, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, 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 Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 17, 2017

**Village of Cumberland
Guernsey County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$18,087	\$12,956	\$0	\$31,043
Intergovernmental	16,015	18,696	1,385	36,096
Fines, Licenses and Permits	1,381	0	0	1,381
Earnings on Investments	221	39	0	260
Miscellaneous	22,049	0	0	22,049
	<u>57,753</u>	<u>31,691</u>	<u>1,385</u>	<u>90,829</u>
Cash Disbursements				
Current:				
Security of Persons and Property	0	4,882	0	4,882
Leisure Time Activities	0	493	0	493
Transportation	0	38,062	0	38,062
General Government	28,164	554	0	28,718
Capital Outlay	0	0	15,000	15,000
<i>Total Cash Disbursements</i>	<u>28,164</u>	<u>43,991</u>	<u>15,000</u>	<u>87,155</u>
<i>Net Change in Fund Cash Balances</i>	29,589	(12,300)	(13,615)	3,674
<i>Fund Cash Balances, January 1</i>	<u>43,917</u>	<u>69,892</u>	<u>14,689</u>	<u>128,498</u>
Fund Cash Balances, December 31				
Restricted	0	57,592	1,074	58,666
Unassigned (Deficit)	<u>73,506</u>	<u>0</u>	<u>0</u>	<u>73,506</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$73,506</u></u>	<u><u>\$57,592</u></u>	<u><u>\$1,074</u></u>	<u><u>\$132,172</u></u>

See accompanying notes to the basic financial statements.

**Village of Cumberland
Guernsey County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016*

	Proprietary Fund Type <u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$171,459
Fines, Licenses and Permits	<u>55</u>
<i>Total Operating Cash Receipts</i>	<u>171,514</u>
Operating Cash Disbursements	
Personal Services	5,756
Employee Fringe Benefits	1,953
Contractual Services	37,233
Supplies and Materials	505
Other	<u>100</u>
<i>Total Operating Cash Disbursements</i>	<u>45,547</u>
<i>Operating Income (Loss)</i>	<u>125,967</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	14,389
Principal Retirement	(125,475)
Interest and Other Fiscal Charges	<u>(950)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(112,036)</u>
<i>Net Change in Fund Cash Balances</i>	13,931
<i>Fund Cash Balances, January 1</i>	<u>191,214</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$205,145</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Cumberland (the Village), Guernsey County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village also has an appointed Fiscal Officer, an appointed Village Administrator and an elected Mayor. The Village provides general government services, including water and sewer utilities, park operations, and Street maintenance. The Village appropriates Fire Fund money to support a volunteer fire department. The Village contracts with Cumberland Volunteer Fire Department to receive fire protection services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Motor Vehicle License Tax Fund This fund accounts for and reports that portion of the State permissive motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Issue II Fund This fund receives Issue II grant funding for road improvement projects.

Enterprise 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 Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Fund Balance

Fund balance is divided into two 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:

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,800	\$57,753	\$11,953
Special Revenue	34,139	31,691	(2,448)
Capital Projects	3,000	1,385	(1,615)
Enterprise	167,841	185,903	18,062
Total	\$250,780	\$276,732	\$25,952

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 3 - Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,630	\$28,164	\$11,466
Special Revenue	84,875	43,991	40,884
Capital Projects	15,000	15,000	0
Enterprise	179,328	171,972	7,356
Total	\$318,833	\$259,127	\$59,706

Note 4 - Deposits

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

Total deposits	2016
	\$337,317

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

Note 5 - Taxes

Property Taxes

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.

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

Note 6 - 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 Workers' Compensation.

The Village 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. York Insurance 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 Entities Excess Pools (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 6 - Risk Management (Continued)

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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 in 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 auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions for members when the related claims are due for payment. As December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

2016 Contributions to PEP
\$4,128

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.

Note 7 - Defined Benefit Pension Plans

Village employees belong to the Ohio Public Employees Retirement System (OPERS). 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. OPERS' members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan	\$73,700	0.00%
Mortgage Revenue Bonds	16,000	5.00%
OWDA Loan #5278	318,174	0.00%
OWDA Loan #5911	57,143	0.00%
OWDA Loan #6326	1,547,084	0.00%
Total	\$2,012,101	

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 \$6,629.

In 2011, the Village entered into a 0% loan agreement with the OWDA as a supplemental loan to the booster station and waterline project. The loan was for \$69,130. This loan is to be paid in semi-annual installments of \$1,192 beginning January 1, 2012 for a term of 29 years.

In 2013, the Village entered into a 0% loan agreement with the OWDA for the construction of a wastewater treatment system. The original loan original amount was \$3,701,593 and included a \$1,573,084 portion and a \$500,000 portion repaid with principal forgiveness by OWDA. The loan will be paid in semi-annual installments of \$40,713 and will continue until 2035.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 9 - Debt (Continued)

Amortization

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

Year ending December 31:	OPWC LOAN	OWDA Loan #5278	OWDA Loan #5911	OWDA Loan #6636	Mortgage Revenue Bonds
2017	\$13,400	\$13,257	\$2,311	\$81,426	\$3,800
2018	13,400	13,257	2,384	81,426	3,650
2019	13,400	13,257	2,384	81,426	3,500
2020	13,400	13,257	2,384	81,426	3,350
2021	13,400	13,257	2,384	81,426	4,200
2022-2026	6,700	66,287	11,920	407,130	0
2027-2031	0	66,287	11,920	407,130	0
2032-2036	0	66,287	11,920	325,694	0
2037-2040	0	53,028	9,536	0	0
Total	<u>\$73,700</u>	<u>\$318,174</u>	<u>\$57,143</u>	<u>\$1,547,084</u>	<u>\$18,500</u>

Note 10 - Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

This page intentionally left blank.

**Village of Cumberland
Guernsey County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$18,650	\$13,859	\$0	\$32,509
Intergovernmental	14,381	20,709	2,982	38,072
Fines, Licenses and Permits	1,341	0	0	1,341
Earnings on Investments	250	71	0	321
Miscellaneous	16,044	50	0	16,094
	<u>50,666</u>	<u>34,689</u>	<u>2,982</u>	<u>88,337</u>
Cash Disbursements				
Current:				
Security of Persons and Property	0	16,018	0	16,018
Leisure Time Activities	0	154	0	154
Transportation	0	18,974	0	18,974
General Government	25,019	600	0	25,619
Capital Outlay	0	1,740	18,401	20,141
<i>Total Cash Disbursements</i>	<u>25,019</u>	<u>37,486</u>	<u>18,401</u>	<u>80,906</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,647</u>	<u>(2,797)</u>	<u>(15,419)</u>	<u>7,431</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	1,342	0	1,342
Transfers Out	(1,342)	0	0	(1,342)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,342)</u>	<u>1,342</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	24,305	(1,455)	(15,419)	7,431
<i>Fund Cash Balances, January 1</i>	<u>19,612</u>	<u>71,347</u>	<u>30,108</u>	<u>121,067</u>
Fund Cash Balances, December 31				
Restricted	0	69,892	14,689	84,581
Unassigned (Deficit)	43,917	0	0	43,917
<i>Fund Cash Balances, December 31</i>	<u>\$43,917</u>	<u>\$69,892</u>	<u>\$14,689</u>	<u>\$128,498</u>

See accompanying notes to the basic financial statements.

**Village of Cumberland
Guernsey County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2015*

	Proprietary Fund Type <u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$101,268
Fines, Licenses and Permits	4,817
	<u>106,085</u>
<i>Total Operating Cash Receipts</i>	<u>106,085</u>
Operating Cash Disbursements	
Personal Services	5,410
Employee Fringe Benefits	1,776
Contractual Services	36,854
Supplies and Materials	11,515
	<u>55,555</u>
<i>Total Operating Cash Disbursements</i>	<u>55,555</u>
<i>Operating Income (Loss)</i>	<u>50,530</u>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	
Intergovernmental	390,553
Special Assessments	41,275
Other Debt Proceeds	773,765
Capital Outlay	(941,167)
Principal Retirement	(254,521)
Interest and Other Fiscal Charges	(1,100)
	<u>8,805</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>8,805</u>
<i>Net Change in Fund Cash Balances</i>	59,335
<i>Fund Cash Balances, January 1</i>	<u>131,879</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$191,214</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Cumberland (the Village), Guernsey County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village also has an appointed Fiscal Officer, an appointed Village Administrator and an elected Mayor. The Village provides general government services, including water and sewer utilities, park operations, and Street maintenance. The Village appropriates Fire Fund money to support a volunteer fire department. The Village contracts with Cumberland Volunteer Fire Department to receive fire protection services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Issue II Fund This fund receives Issue II grant funding for road improvement projects.

Enterprise 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 Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Grant Construction Fund This fund accounts for grant and loan activity relating to the OWDA Sewer project.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Fund Balance

Fund balance is divided into two 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:

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,891	\$50,666	\$21,775
Special Revenue	33,492	36,031	2,539
Capital Projects	2,982	2,982	0
Enterprise	1,455,478	1,311,678	(143,800)
Total	\$1,520,843	\$1,401,357	(\$119,486)

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 3 - Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,103	\$26,361	\$9,742
Special Revenue	68,125	37,486	30,639
Capital Projects	33,000	18,401	14,599
Enterprise	1,374,045	1,252,343	121,702
Total	\$1,511,273	\$1,334,591	\$176,682

Note 4 - Deposits

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

Total deposits	2015
	\$319,712

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

Note 5 - Taxes

Property Taxes

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.

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

Note 6 - 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 Workers' Compensation.

The Village 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. York Insurance 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 Entities Excess Pools (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 6 - Risk Management (Continued)

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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 in 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 auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015. These amounts will be included in future contributions for members when the related claims are due for payment. As December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$2,000.

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.

2015 Contributions to PEP
\$3,941

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.

Note 7 - Defined Benefit Pension Plans

Village employees belong to the Ohio Public Employees Retirement System (OPERS). 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.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 7 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS' members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OPWC Loan	\$87,100	0.00%
Mortgage Revenue Bonds	19,000	5.00%
OWDA Loan #5278	331,432	0.00%
OWDA Loan #5911	57,143	0.00%
OWDA Loan #6326	1,642,898	0.00%
Total	\$2,137,573	

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 \$6,629.

In 2011, the Village entered into a 0% loan agreement with the OWDA as a supplemental loan to the booster station and waterline project. The loan was for \$69,130. This loan is to be paid in semi-annual installments of \$1,192 beginning January 1, 2012 for a term of 29 years.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 9 - Debt (Continued)

In 2013, the Village entered into a 0% loan agreement with the OWDA for the construction of a wastewater treatment system. The original loan original amount was \$3,701,593 and included a \$1,573,084 portion and a \$500,000 portion repaid with principal forgiveness by OWDA. The loan will be paid in semi-annual installments of \$40,713 and will continue until 2035.

Amortization

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

Year ending December 31:	OPWC LOAN	OWDA Loan #5278	OWDA Loan #5911	OWDA Loan #6636	Mortgage Revenue Bonds
2016	\$13,400	\$13,257	\$0	\$95,815	\$3,950
2017	13,400	13,257	2,311	81,426	3,800
2018	13,400	13,257	2,384	81,426	3,650
2019	13,400	13,257	2,384	81,426	3,500
2020	13,400	13,257	2,384	81,426	3,350
2021-2025	20,100	66,287	11,920	407,130	4,200
2016-2030	0	66,287	11,920	407,130	0
2031-2035	0	66,287	11,920	407,119	0
2036-2040	0	66,286	11,920	0	0
Total	<u>\$87,100</u>	<u>\$331,432</u>	<u>\$57,143</u>	<u>\$1,642,898</u>	<u>\$22,450</u>

Note 11 - Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

This page intentionally left blank.



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
P.O. Box 103
Cumberland, Ohio 43732

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 cash balances, receipts, and disbursements by fund type of the Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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 opinions 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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider Finding 2016-002 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2016-001 described in the accompanying Schedule of Findings to be a significant deficiency.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Responses to Findings

The Village's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 Village'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.



Dave Yost
Auditor of State
Columbus, Ohio

November 17, 2017

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Significant Deficiency

During 2015, the employees' payrolls were processed and paid based on timesheets that were not reviewed and approved by a supervisor or Council Member with firsthand knowledge of the activities of the employee.

This was an oversight by the Village. Failure to clearly document supervisory oversight of employees timesheets and/or the related leave requests may result in incorrect amounts paid and findings for adjustments in future audits.

Management should establish controls procedures to ensure a supervisor, with first-hand knowledge of the activities of Village employees, sign all employee timesheets and leave requests as evidence of approval.

Official's Response: The employee's hours are always verified by the village administrator. If the village administrator isn't present to sign the employees' time sheets at the time the checks are written, the fiscal officer verifies the employees and their hours with the administrator by phone.

FINDING NUMBER 2016-002

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer failed to properly record on-behalf payments and principal forgiveness by the Ohio Water Development Authority (OWDA) relating to the sewer project resulting in the following audit adjustments:

- Intergovernmental receipts and other debt proceeds were increased by \$390,553 and \$773,765, respectively, and principle payments and capital outlay expenditures were increased by \$223,151 and \$941,167, respectively in the Sewer Operating Fund for the year ended December 31, 2015.
- Intergovernmental receipts and capital outlay expenditures both increased by \$14,389 in the Sewer Operating Fund for the year ended December 31, 2016.
- The Grant Construction Fund was incorrectly classified as a Capital Projects Fund rather than as an Enterprise Fund. Activity relating to the sewer construction grant was adjusted to be recorded as an Enterprise Fund in 2015 by reducing Capital Outlay and Intergovernmental receipts in the Grant Construction Fund by \$1,268,764.

These misstatements resulted from the Fiscal Officer's unfamiliarity with the posting requirements relating to a large OWDA construction project. The audited financial statements have been adjusted to reflect this activity.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Fiscal Officer should review the Village Handbook for guidance on the correct line items and funds to post various receipts and expenditures of the Village.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

Material Weakness (Continued)

Official's Response: The WWTP and collection system was completed in 2015 and there will be no further activity in the grant construction fund. If the village were to enter into another OWDA funded project, the village will contact local government services or the state auditor's office to obtain the correct fund classification.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness for misposting of various receipts and disbursements.	Not Corrected	The WWTP and collection system was completed in 2015 and there will be no further activity in the grant construction fund. If the village were to enter into another OWDA funded project, the village will contact local government services or the state auditor's office to obtain the correct fund classification.

This page intentionally left blank.



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 30, 2017