

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY  
Regular Audit  
December 31, 2007 and 2006**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Cumberland  
P.O. Box 103  
Cumberland, Ohio 43732-0103

We have reviewed the *Independent Accountants' Report* of the Village of Cumberland, Guernsey County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Cumberland is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 21, 2008

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**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

August 31, 2008

Village of Cumberland  
Guernsey County  
PO Box 103  
Cumberland, Ohio 43732-0103

To the Village Council:

We have audited the accompanying financial statements of the **Village of Cumberland, Guernsey County, Ohio**, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraph six, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Village's to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006 or their changes in financial position or cash flows for the year then ended.

The Village did not provide adequate supporting documentation for charges for services receipts to enable us to determine the completeness, occurrence, allocation, and rights and obligations of charges for services recorded in the Water Fund, a Proprietary Fund Type, in the financial statements in 2006, nor were we able to satisfy ourselves as to those receipts through the use of alternative procedures. These charges for services revenues represent 100 percent of revenues of the Proprietary Fund Type for the year ended December 31, 2006.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support the completeness, occurrence, allocation, and rights and obligations of the charges for services receipts in the Water Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Village of Cumberland, Guernsey County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 18,642	\$ 10,612	\$ -	\$ 29,254
Intergovernmental	19,575	22,612	4,793	46,980
Earnings on Investments	6,545	2,274	-	8,819
Miscellaneous	70	-	-	70
	<u>44,832</u>	<u>35,498</u>	<u>4,793</u>	<u>85,123</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	-	21,395	-	21,395
Transportation	-	4,047	-	4,047
General Government	30,507	320	-	30,827
Capital Outlay	-	-	479	479
	<u>30,507</u>	<u>25,762</u>	<u>479</u>	<u>56,748</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	<u>14,325</u>	<u>9,736</u>	<u>4,314</u>	<u>28,375</u>
Fund Cash Balances, January 1	<u>10,959</u>	<u>43,274</u>	<u>3,406</u>	<u>57,639</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 25,284</u></b>	<b><u>\$ 53,010</u></b>	<b><u>\$ 7,720</u></b>	<b><u>\$ 86,014</u></b>
Reserve for Encumbrances, December 31	<u>\$ 646</u>	<u>\$ 1,672</u>	<u>\$ -</u>	<u>\$ 2,318</u>

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 132,780
Total Operating Revenues	132,780
<b>Operating Cash Disbursements:</b>	
Personal Services	27,812
Fringe Benefits	4,345
Contractual Services	20,696
Supplies and Materials	26,215
Total Operating Cash Disbursements	79,068
Operating Income (Loss)	53,712
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	(25,000)
Interest and Fiscal Charges	(6,380)
Total Non-Operating Cash Disbursements	(31,380)
Net Receipts Over/(Under) Cash Disbursements	22,332
Fund Cash Balances, January 1	79,516
<b>Fund Cash Balances, December 31</b>	<b>\$ 101,848</b>
Reserve for Encumbrances, December 31	\$ 1,992

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 14,977	\$ 10,068	\$ -	\$ 25,045
Intergovernmental	20,386	20,919	4,646	45,951
Earnings on Investments	2,903	774	-	3,677
Miscellaneous	461	-	-	461
	<u>38,727</u>	<u>31,761</u>	<u>4,646</u>	<u>75,134</u>
<b>Total Cash Receipts</b>				
	<u>38,727</u>	<u>31,761</u>	<u>4,646</u>	<u>75,134</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	9,272	9,770	-	19,042
Public Health Services	1,231	-	-	1,231
Leisure Time Activities	1,492	-	-	1,492
Transportation	-	12,676	-	12,676
General Government	29,684	-	-	29,684
Capital Outlay	-	1,100	4,646	5,746
	<u>41,679</u>	<u>23,546</u>	<u>4,646</u>	<u>69,871</u>
<b>Total Cash Disbursements</b>				
	<u>41,679</u>	<u>23,546</u>	<u>4,646</u>	<u>69,871</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>(2,952)</u>	<u>8,215</u>	<u>-</u>	<u>5,263</u>
<b>Fund Cash Balances, January 1</b>	<u>13,911</u>	<u>35,059</u>	<u>3,406</u>	<u>52,376</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 10,959</u>	<u>\$ 43,274</u>	<u>\$ 3,406</u>	<u>\$ 57,639</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 665</u>	<u>\$ 1,660</u>	<u>\$ -</u>	<u>\$ 2,325</u>

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 126,181
Total Operating Revenues	126,181
<b>Operating Cash Disbursements:</b>	
Personal Services	33,105
Fringe Benefits	8,992
Contractual Services	20,503
Supplies and Materials	21,975
Total Operating Cash Disbursements	84,575
Operating Income (Loss)	41,606
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	(23,600)
Interest and Other Fiscal Charges	(6,890)
Total Non-Operating Cash Disbursements	(30,490)
Net Receipts Over/(Under) Cash Disbursements	11,116
Fund Cash Balances, January 1	68,400
<b>Fund Cash Balances, December 31</b>	<b>\$ 79,516</b>
Reserve for Encumbrances, December 31	\$ 2,101

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash**

The Village maintains all available monies of the Village in an interest-bearing checking account. Interest earned is recognized and recorded when received.

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

*Street Construction, Maintenance and Repair 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 and proceeds of fire contracts to provide fire protection to Village residents.

*Gas Tax Fund* - This fund receives gas tax money for constructing, maintaining and repairing Village streets.

**3. Capital Projects Funds**

These funds account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Projects fund:

*Issue II Fund* - This fund receives grant funding from the state for various Village capital projects.

**4. Proprietary Funds**

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

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$187,862</u>	<u>\$137,155</u>

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,227	\$ 44,832	\$ 6,605
Special Revenue	28,550	35,498	6,948
Capital Projects	4,181	4,793	612
Enterprise	111,000	132,780	21,780
Total	\$ 181,958	\$ 217,903	\$ 35,945

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 42,000	\$ 31,153	\$ 10,847
Special Revenue	28,300	27,434	866
Capital Projects	4,181	479	3,702
Enterprise	126,900	112,440	14,460
Total	\$ 201,381	\$ 171,506	\$ 29,875

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 38,727	\$ 38,727
Special Revenue	-	31,761	31,761
Capital Projects	-	4,646	4,646
Enterprise	-	126,181	126,181
Total	\$ -	\$ 201,315	\$ 201,315

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 42,344	\$ (42,344)
Special Revenue	-	25,206	(25,206)
Capital Projects	-	4,646	(4,646)
Enterprise	-	117,166	(117,166)
Total	\$ -	\$ 189,362	\$ (189,362)

Contrary to Ohio Rev. Code Section 5705.36, the Village did not file with the county auditor the total amount from all sources, which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year for 2006.

Contrary to Ohio Rev. Code Section 5705.38, the Village failed to pass an appropriation measure in 2006.



**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations in 2007 in the Fire Fund and the Capital Project Fund, and in all funds in 2006, with no appropriations measure being passed.

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 9% of expenditures tested during 2007 and 73% of expenditures testing during 2006.

**4. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$ 194,300	0.00%
Mortgage Revenue Bonds	116,000	5.00%
Total	<u>\$ 310,300</u>	

The Ohio Public Works Commission (OPWC) loan was issued to make needed repairs and improvements of the current 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 and will be repaid in semiannual payments of \$6,700, including interest.

The Mortgage Revenue Bonds consist of the Waterworks System First Revenue Bond and the Waterworks System First Revenue Replacement Bond. The Waterworks System First Mortgage Revenue Bond was issued for the purpose of improving the municipal waterworks. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The bonds are collateralized by a mortgage on the utility plant and all additions, extensions, improvements and by water revenue receipts. The Waterworks System First Mortgage Revenue Replacement Bond was issued to retire previously issued registered bonds as of January 1, 1970 for improving the municipal waterworks. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The Bonds require a balloon payment to be made in 2009. The bonds are collateralized by a mortgage on the utility plant and all additions, extensions, improvements and by water revenue receipts. A lump sum payment is anticipated in 2009.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. DEBT**

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

Year ending December 31:	Mortgage Revenue Bonds	Ohio Public Works Commission
2008	\$ 11,600	\$ 13,400
2009	108,000	13,400
2010	3,000	13,400
2011	3,000	67,000
2012	3,000	67,000
Thereafter	28,000	20,100
Total	\$ 156,600	\$ 194,300

Note: Amortization in prior audit was not calculated correctly.

**5. PROPERTY TAX**

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

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

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

**6. RETIREMENT SYSTEMS**

Officials and employees, other than law enforcement officers, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, PERS members contributed 9.5% and 9.0%, respectively, of their gross salaries. The Village contributed an amount equal to 13.85% of participants' gross salaries in 2007 and 13.70% in 2006. The Village has not paid all contributions required through December 31, 2007.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

Comprehensive property and general liability  
Vehicles  
Errors and omissions

**8. CONTINGENT LIABILITIES**

**Pending Litigation**

As confirmed by the Village's legal counsel, the Village of Cumberland is currently involved in litigation. This civil action was filed on January 2, 2007. The lawsuit alleges violations by the Village of the safe drinking water laws of the state of Ohio. The State is seeking injunctive relief and civil damages. Civil damages could amount to at least \$10,000.

**Grants**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors 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.

***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

August 31, 2008

Village of Cumberland  
Guernsey County  
PO Box 103  
Cumberland, Ohio 43732-0103

To the Village Council:

We have audited the financial statements of the **Village of Cumberland, Guernsey County, Ohio** (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 31, 2008, wherein we qualified our opinion because we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the charges for services receipts in the Water Fund, Enterprise Fund Type. Also, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-017.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2007-004, 2007-013 and 2007-015 described above are material weaknesses.

### **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, providing an opinion 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 that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2007-001 through 2007-012.

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Rev. Code section 149.351(A)** establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

For the audit period, inadequate supporting documentation was for provided by the Village for the following:

- Charges for Services – no supporting documentation for entries into Cash Journal for water deposits in 2006.
  
- Voucher Packages – The Village did not always present complete voucher packages to support expenditures. 13% of tested transactions did not have adequate voucher packages. It was determined through alternative testing procedures that these expenditures were allowable and for a proper public purpose.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner. In addition, lack of adequate supporting documentation could result in the Village making inappropriate disbursements for goods or services not actually received by the Village.

We recommend the Village keep all documentation to support utility receipts. We also recommend that no payment be made from the Village that is not supported by an approved voucher package that would include an original receipt or invoice.

**Management’s Response** – We did not receive a response from the Village to this finding.

**FINDING NUMBER 2007-002**

**Noncompliance Citation/Significant Deficiency**

**26 Code of Federal Regulations Section 1.6041-2** provides that wages, as defined in 26 United States Code Section 3401 should be reported on a Form W-2, or “all other payments of compensation” are to be reported on a form 1099”. 26 United States 3402 states “...every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computation procedures prescribed by the Secretary of the Treasury”.

The Village did not issue an IRS Form 1099 for independent contractor services rendered during 2006 and 2007 for which the Village paid the contractors over \$600.

The Village should issue a Form 1099 to all independent, unincorporated contractors to whom the Village pays \$600 or more in a given calendar year.

**Management’s Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2007-003**

**Noncompliance Citation/Significant Deficiency**

**26 U.S.C. Section 3102(a)** requires employers to withhold social security Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

The Village did not withhold social security Medicare tax from seven officials elected or appointed after April 1, 1986 in both 2006 and 2007.

The Fiscal Officer should deduct Medicare for all officials elected after April 1, 1986 to comply with the requirements.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-004**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 9.38** states that monies should be deposited with the Village Clerk or designated depository within 24 hours of collection.

Certain receipts were deposited with the designated depository after the required time limitation. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. The Village should properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amounts of daily receipts exceed \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2007-005**

**Noncompliance Citation/Significant Deficiency**

**Ohio Admin. Code Section 117-2-02 (D)(4)(a)** requires all local public offices to maintain payroll records including: (1) W-2's, W-4's and other withholding records and authorizations; (2) a payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments; and (3) a check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

The Village was unable to provide W-2's or W-4's for either 2006 or 2007.

The Fiscal Officer should maintain appropriate payroll records including W-2's, W-4's and all other withholding records and authorizations.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-006**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 121.22** states in part that all meetings of any public body are declared to be public meetings open to the public at all times. A member of the public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such publicly public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussion in executive sessions.

Every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in event of an emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media.

The Village supplied no evidence that they had notified the public, through the media or any other source, of their meeting times, dates or places. Also, not all the minutes of the meeting held by the Village were promptly recorded.

We recommend the Village establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. We also recommend the Village Fiscal Officer promptly record the minutes of all meetings of the Village Council.

**Management's Response** – We did not receive a response from officials to this finding.



**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2007-007**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 145.47** states the head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the public employees retirement system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions within thirty days after the last day of such reporting period.

Testing indicated that the Village did not remit contributions due to PERS on a timely basis in January and November of 2006.

We recommend the Fiscal Officer take the care necessary to ensure PERS contributions are being remitted on a timely basis to avoid penalties.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-008**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.36** states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing unites are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

In 2006, the Village did not file with the county auditor the total amount from all sources, which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

We recommend the Village take the necessary steps to ensure they certify their budgetary documents with the County Auditor on or before the required date. We also recommend the Village perform a comparison of the estimated amounts per their budgetary documents periodically in order to determine whether an amended needs to be obtained.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

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

**FINDING NUMBER 2007-009**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.38** states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year-end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not pass an appropriations resolution in 2006.

We recommend the Village ensure its annual appropriation resolution is passed.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-010**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2007 in the Fire Fund and in all funds in 2006.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2007-011**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the 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 taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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.
3. Super Blanket Certificate – The entity 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2007-011 (Continued)**

**Noncompliance Citation/Significant Deficiency (Continued)**

The Village did not properly certify the availability of funds prior to purchase commitment for 9% of the expenditures tested during 2007 and 73% in 2006 and there was no evidence that the Village followed the aforementioned exceptions.

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

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-012**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5747.07(E)** in part states that every employer shall file, not later than the last day of the month following the end of each calendar quarter, a return covering, but not limited to, both the actual amount deducted and withheld and the amount required to be deducted and withheld for the tax imposed under this calendar during each partial weekly withholding period during the quarter.

All federal taxes due October 31, 2005 were not paid until February 28, 2006; and federal taxes due October 31, 2006 were not paid until December 26, 2006.

We recommend the Village Fiscal Officer remit federal taxes on a timely basis to avoid late fees and penalties.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2007-013**

**Significant Deficiency/Material Weakness**

**Issue II Monies**

Auditor of State Bulletin 2002-004 gives guidance on accounting procedures for Issue II monies. The guidance suggests that all monies be accounted for in a Capital Projects Fund type and be budgeted for in this fund. The Village received Issue II funds in 2005, and was cited for not establishing the appropriate fund, and including the monies in the Special Revenue-Street Construction, Maintenance and Repair Fund.

As per the prior audit report the December 31, 2005 financial statements were adjusted to reflect the proper presentation, of the Issue II monies in a Capital Projects Fund. In 2006 the Fiscal Officer subsequently included the fund balance of the Capital Projects Fund in the Special Revenue-Street Construction, Maintenance and Repair Fund, and not the Capital Projects Fund that had been previously established to account for Issue II monies.

During 2006, the Fiscal Officer also received and included Issue II monies in the Special Revenue-Street Construction, Maintenance Repair Fund as opposed to a Capital Projects Fund. This caused the financial statements to be adjusted to appropriately present issue II monies.

We recommend the Fiscal Officer follow the guidance outlined in Auditor of State Bulletin 2002-004 when receiving Issue II monies.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-014**

**Significant Deficiency**

**Bank Reconciliations and Monthly Financial Reports**

The Fiscal Officer performs a reconciliation of the ledger balances and the bank balances monthly. However, the Fiscal Officer did not present the reconciliation or any financial information to Council for review on a regular basis ten of the twelve months in 2006. This lead to errors and irregularities going undetected or not being detected in a timely manner.

Adjusting factors should be investigated and corrected in a timely manner. The monthly reconciliation along with a recap of the monthly financial activity should be presented to Council and approved by Council at the regular monthly Council meeting. This will help Council effectively monitor the Village's financial position and will aid in the timely detection of errors or irregularities.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2007-015**

**Significant Deficiency/Material Weakness**

**Posting Receipts and Expenditures**

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2006 and 2007, several receipts and expenditures were not posted into accurate revenue classifications based on the source of the receipt or expenditure. For example, various intergovernmental, tax and grant revenues were not posted into the correct receipt classification. In addition, the expenditures for the debt issue were posted to the Equipment and Furniture account, which classified these expenditures as capital outlay rather than principal/interest payments. This resulted in several reclassification entries being made to the financial statements.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-016**

**Significant Deficiency**

**Posting Estimated Revenues and Appropriations**

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

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

**FINDING NUMBER 2007-017**

**Significant Deficiency**

**Outstanding Checks**

To assist in maintaining accurate accounting records, an entity should periodically investigate and eliminate old outstanding checks from the monthly bank-to-book reconciliations. The Village carried several old outstanding checks for the checking account in excess of one year old.

Utilizing old outstanding checks as part of the reconciliation process increases the risk that errors and/or irregularities could occur and not be detected in a timely manner.

The Village should review and resolve its current outstanding checklist. If deemed necessary, the Village may want to consult with its legal counsel and banks for guidance. In addition, the Village should implement procedures that require the periodic review and disposition of old outstanding checks.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	The Village Fiscal Officer did not properly reconcile the Village bank account, nor did Council review it.	NO	Repeated as finding # 2007-014.
2005-002	5705.41D, the Village Fiscal Officer did not properly certify all expenditures.	NO	Repeated as finding # 2007-011.
2005-003	The Village Fiscal Officer did not properly classify loan payments.	YES	Repeated as finding # 2007-015.
2005-004	The Village Fiscal Officer did not properly establish a Capital Projects Fund for Issue II monies.	NO	Repeated as finding # 2007-013.
2005-005	The Village Fiscal Officer did properly record cash receipts.	NO	Repeated as finding # 2007-001.
2005-006	ORC 9.38 – not depositing receipts in a timely manner.	NO	Repeated as finding # 2007-004.





**Mary Taylor, CPA**  
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 6, 2008**