

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY
Regular Audit
December 31, 2009 and 2008**



Mary Taylor, CPA

Auditor of State

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

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, 2008 through December 31, 2009. 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

July 9, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types - For the Year Ended December 31, 2009	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types - For the Year Ended December 31, 2008	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	18

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

June 4, 2010

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, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 1B, 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 second 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, 2009 and 2008 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, 2009 and 2008 or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Cumberland, Guernsey County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1B describes.

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 June 4, 2010, 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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 15,823	\$ 8,437	\$ -	\$ 24,260
Intergovernmental	18,322	41,649	3,451	63,422
Earnings on Investments	834	492	-	1,326
Miscellaneous	630	666	-	1,296
	<u>35,609</u>	<u>51,244</u>	<u>3,451</u>	<u>90,304</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	-	10,113	-	10,113
Leisure Time Activities	4,913	17,783	-	22,696
Transportation	-	21,604	-	21,604
General Government	39,945	100	-	40,045
Capital Outlay	-	116	-	116
	<u>44,858</u>	<u>49,716</u>	<u>-</u>	<u>94,574</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	(9,249)	1,528	3,451	(4,270)
Fund Cash Balances, January 1	<u>26,115</u>	<u>57,511</u>	<u>6,832</u>	<u>90,458</u>
Fund Cash Balances, December 31	<u>\$ 16,866</u>	<u>\$ 59,039</u>	<u>\$ 10,283</u>	<u>\$ 86,188</u>
Reserve for Encumbrances, December 31	<u>\$ 786</u>	<u>\$ 1,733</u>	<u>\$ -</u>	<u>\$ 2,519</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, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 148,400
Total Operating Revenues	148,400
Operating Cash Disbursements:	
Personal Services	2,255
Contractual Services	94,068
Supplies and Materials	7,066
Other	100
Total Operating Cash Disbursements	103,489
Operating Income (Loss)	44,911
Non-Operating Cash Receipts/(Disbursements):	
Miscellaneous Receipts	145
Redemption of Principal	(16,400)
Interest and Fiscal Charges	(2,626)
Total Non-Operating Cash Receipts/(Disbursements)	(18,881)
Net Receipts Over/(Under) Cash Disbursements	26,030
Fund Cash Balances, January 1	59,221
Fund Cash Balances, December 31	\$ 85,251
Reserve for Encumbrances, December 31	\$ 2,016

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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 18,064	\$ 11,662	\$ -	\$ 29,726
Intergovernmental	21,740	22,076	3,451	47,267
Earnings on Investments	2,548	1,198	-	3,746
	<u>42,352</u>	<u>34,936</u>	<u>3,451</u>	<u>80,739</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	142	9,452	-	9,594
Transportation	-	20,402	-	20,402
General Government	41,379	258	-	41,637
Capital Outlay	-	323	4,339	4,662
	<u>41,521</u>	<u>30,435</u>	<u>4,339</u>	<u>76,295</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	831	4,501	(888)	4,444
Fund Cash Balances, January 1	25,284	53,010	7,720	86,014
Fund Cash Balances, December 31	<u>\$ 26,115</u>	<u>\$ 57,511</u>	<u>\$ 6,832</u>	<u>\$ 90,458</u>
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, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 141,177
Total Operating Revenues	141,177
Operating Cash Disbursements:	
Personal Services	15,150
Fringe Benefits	2,187
Contractual Services	54,422
Supplies and Materials	18,871
Other	209
Total Operating Cash Disbursements	90,839
Operating Income (Loss)	50,338
Non-Operating Cash Disbursements:	
Redemption of Principal	(89,400)
Interest and Other Fiscal Charges	(3,565)
Total Non-Operating Cash Disbursements	(92,965)
Total Non-Operating Cash Disbursements	(42,627)
Fund Cash Balances, January 1	101,848
Fund Cash Balances, December 31	\$ 59,221
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, 2009 AND 2008**

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. Deposits

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, 2009 AND 2008
(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 to provide fire protection to Village residents.

Parks and Recreation Fund - This fund receives grant money used to improve the parks.

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 to recover the significant costs of providing certain goods or services 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, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$171,439</u>	<u>\$149,679</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, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 37,423	\$ 35,609	\$ (1,814)
Special Revenue	54,396	51,244	(3,152)
Capital Projects	3,451	3,451	-
Enterprise	130,000	148,545	18,545
Total	<u>\$ 225,270</u>	<u>\$ 238,849</u>	<u>\$ 13,579</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,646	\$ 45,644	\$ 8,002
Special Revenue	56,768	51,449	5,319
Capital Projects	3,426	-	3,426
Enterprise	142,024	124,531	17,493
Total	<u>\$ 255,864</u>	<u>\$ 221,624</u>	<u>\$ 34,240</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,189	\$ 42,352	\$ (837)
Special Revenue	32,213	34,936	2,723
Capital Projects	3,451	3,451	0
Enterprise	130,000	141,177	11,177
Total	<u>\$ 208,853</u>	<u>\$ 221,916</u>	<u>\$ 13,063</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,146	\$ 42,167	\$ 16,979
Special Revenue	44,972	32,107	12,865
Capital Projects	5,000	4,339	661
Enterprise	206,892	185,905	20,987
Total	<u>\$ 316,010</u>	<u>\$ 264,518</u>	<u>\$ 51,492</u>

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$ 160,800	0.00%
Mortgage Revenue Bond	37,000	5.00%
Total	<u>\$ 197,800</u>	

The balance for the OPWC loan as reported in the note disclosures for December 31, 2007 was \$194,300. The correct balance as of December 31, 2007 was \$187,600.

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 scheduled to be \$403,714 and as of December 31, 2009, no disbursements have been made. The loan is for a booster station and waterline project to connect to the Village of Byesville water plant. The loan will mature July, 2040. Since no disbursements have been made, the amortization for this loan is not included in the table below.

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

Year ending <u>December 31:</u>	<u>Mortgage Revenue Bond</u>	<u>Ohio Public Works Commission</u>
2010	\$ 4,850	\$ 13,400
2011	4,700	13,400
2012	4,550	13,400
2013	4,400	13,400
2014	4,250	13,400
2015-2019	19,000	67,000
2020-2022	7,550	26,800
Total	<u>\$ 49,300</u>	<u>\$ 160,800</u>

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. RISK MANAGEMENT

Risk Pool Membership

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

The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (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, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. 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.

<u>Contributions to PEP</u>	
2008	\$ 3,350
2009	\$ 3,458

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of 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.

8. CONTINGENT LIABILITIES

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.

9. CONTRACTUAL COMMITMENTS

The Village entered into a construction contract for the waterline project in the amount of \$1,325,933. The Village is financing this project through grants and loans. As of December 31, 2009 no payments for this contract have been made.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

June 4, 2010

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, 2009 and 2008, and have issued our report thereon dated June 4, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 4, 2010.

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,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

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

FINDING NUMBER 2009-001

Material Weakness

Taxes and Intergovernmental Revenue

We noted several misclassifications of tax and intergovernmental receipts in both 2008 and 2009. Some of these entries required fund balance adjustments, which the Village has agreed to and posted. The Village should make sure property tax reimbursements, public utility reimbursements and homestead rollback payments are recorded as intergovernmental revenue. In addition, all grants from state agencies should be recognized as intergovernmental revenue.

We recommend all receipts related to grants, property tax or reimbursements be reviewed for proper coding. The Fiscal Officer should refer to the Village Officer's Handbook for guidance on determining the proper posting of receipts.

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code section 149.351(A) establishes guidelines against the destruction or damage of records.	Yes	
2007-002	The Village did not issue an IRS Form 1099 for independent contractor services.	Yes	
2007-003	The Village did not withhold social security Medicare tax from seven officials elected or appointed after April 1, 1986.	No	Partially corrected – moved to management letter.
2007-004	Ohio Rev. Code Section 9.38 states that monies should be deposited with the Village Clerk or designated depository within 24 hours of collection.	Yes	
2007-005	Failure to provide W-2's or W-4's	Yes	
2007-006	The Village supplied no evidence that they had notified the public of meeting schedule.	Yes	
2007-007	Village did not remit contributions due to PERS on a timely basis.	Yes	
2007-008	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.	Yes	
2007-009	The Village did not pass an appropriations resolution.	Yes	
2007-010	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.	Yes	
2007-011	Failure to prepare fiscal officer certification for expenditures.	Yes	
2007-012	Failure to remit federal taxes on a timely basis.	Yes	
2007-013	Failure to establish the proper capital projects fund for Issue II money.	Yes	

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

2007-014	Lack of sufficient monitoring of bank reconciliations and financial reports.	Yes	
2007-015	Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code.	No	Repeat as finding 2009-001
2007-016	The Village did not have a process in place to reconcile appropriations and estimated receipts in the accounting system to the County Budget Commission.	No	Partially corrected – moved to management letter.
2007-017	The Village carried several old outstanding checks for the checking account in excess of one year old.	Yes	



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
JULY 22, 2010