

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY  
Regular Audit  
For the Years Ended December 31, 2011 and 2010**

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





# Dave Yost • Auditor of State

Village 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, 2010 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 2, 2012

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**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

May 7, 2012

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, 2011 and 2010. 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 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, 2011 and 2010 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, 2011 and 2010 or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Cumberland, Guernsey County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1B describes.

As described in Note 1F, during 2011 the Village of Cumberland adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2012, 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,

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**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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 and Other Local Taxes	\$ 15,722	\$ 9,472	\$ -	\$ 25,194
Intergovernmental	18,353	25,776	180,654	224,783
Earnings on Investments	422	199	-	621
Miscellaneous	297	1,198	-	1,495
	<u>34,794</u>	<u>36,645</u>	<u>180,654</u>	<u>252,093</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	-	15,577	-	15,577
Leisure Time Activities	-	1,348	-	1,348
Transportation	-	9,739	-	9,739
General Government	32,961	339	-	33,300
Capital Outlay	-	-	411,536	411,536
Debt Service:				
Principal Retirement	-	-	175,861	175,861
	<u>32,961</u>	<u>27,003</u>	<u>587,397</u>	<u>647,361</u>
Total Cash Disbursements	<u>32,961</u>	<u>27,003</u>	<u>587,397</u>	<u>647,361</u>
Total Receipts Over/(Under) Disbursements	<u>1,833</u>	<u>9,642</u>	<u>(406,743)</u>	<u>(395,268)</u>
<b>Other Financing Receipts:</b>				
Other Debt Proceeds	-	-	411,536	411,536
	<u>-</u>	<u>-</u>	<u>411,536</u>	<u>411,536</u>
Total Other Financing Receipts	<u>-</u>	<u>-</u>	<u>411,536</u>	<u>411,536</u>
Net Change in Fund Cash Balances	<u>1,833</u>	<u>9,642</u>	<u>4,793</u>	<u>16,268</u>
Fund Cash Balance, January 1	<u>9,163</u>	<u>69,578</u>	<u>15,077</u>	<u>93,818</u>
<b>Fund Cash Balance, December 31</b>				
Restricted	-	79,220	19,870	99,090
Unassigned	10,996	-	-	10,996
<i>Fund Cash Balance, December 31</i>	<u>\$ 10,996</u>	<u>\$ 79,220</u>	<u>\$ 19,870</u>	<u>\$ 110,086</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, 2011**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 138,115
Total Operating Revenues	138,115
<b>Operating Cash Disbursements:</b>	
Personal Services	18,035
Fringe Benefits	2,569
Contractual Services	95,283
Supplies and Materials	61,139
Other	30
Total Operating Cash Disbursements	177,056
Operating Income (Loss)	(38,941)
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Loan Proceeds	20,622
Special Assessments	23,889
Redemption of Principal	(29,857)
Interest and Fiscal Charges	(1,700)
Total Non-Operating Cash Receipts/(Disbursements)	12,954
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	(25,987)
Advance-In	5,000
Advance-Out	(5,000)
Net Change in Fund Cash Balances	(25,987)
Fund Cash Balance, January 1	109,598
<b>Fund Cash Balances, December 31</b>	<b>\$ 83,611</b>

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, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 15,660	\$ 9,466	\$ -	\$ 25,126
Intergovernmental	18,669	27,863	1,443,787	1,490,319
Earnings on Investments	723	333	-	1,056
Miscellaneous	-	1,103	-	1,103
	<u>35,052</u>	<u>38,765</u>	<u>1,443,787</u>	<u>1,517,604</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	-	10,000	-	10,000
Leisure Time Activities	-	20	-	20
Transportation	-	18,004	-	18,004
General Government	42,755	202	-	42,957
Capital Outlay	-	-	1,611,000	1,611,000
Debt Service:				
Redemption of Principal	-	-	1,438,993	1,438,993
	<u>42,755</u>	<u>28,226</u>	<u>3,049,993</u>	<u>3,120,974</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	(7,703)	10,539	(1,606,206)	(1,603,370)
<b>Other Financing Receipts:</b>				
Proceeds from Debt	-	-	1,611,000	1,611,000
	<u>-</u>	<u>-</u>	<u>1,611,000</u>	<u>1,611,000</u>
Total Other Financing Receipts				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,703)	10,539	4,794	7,630
Fund Cash Balances, January 1	16,866	59,039	10,283	86,188
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 9,163</b></u>	<u><b>\$ 69,578</b></u>	<u><b>\$ 15,077</b></u>	<u><b>\$ 93,818</b></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, 2010**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 139,740
Total Operating Revenues	<u>139,740</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	5,055
Fringe Benefits	206
Contractual Services	78,009
Supplies and Materials	<u>13,873</u>
Total Operating Cash Disbursements	<u>97,143</u>
Operating Income (Loss)	<u>42,597</u>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	(16,400)
Interest and Other Fiscal Charges	<u>(1,850)</u>
Total Non-Operating Cash Disbursements	<u>(18,250)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	24,347
Fund Cash Balances, January 1	<u>85,251</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 109,598</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$ 2,016</u></u>

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cumberland, Guernsey County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village 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 Fire 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

The Village maintains all available monies 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 that is restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

*Gasoline Tax Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways in the Village.

*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 restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

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

*Grant Construction Fund* - This fund receives OWDA grant and loan funding for the water improvement project.

**4. Proprietary Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise 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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**F. Fund Balance (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$193,697</u>	<u>\$203,416</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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 30,797	\$ 34,794	\$ 3,997
Special Revenue	39,502	36,645	(2,857)
Capital Projects	592,190	592,190	-
Enterprise	174,750	187,626	12,876
Total	\$ 837,239	\$ 851,255	\$ 14,016

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 37,070	\$ 32,961	\$ 4,109
Special Revenue	77,922	27,003	50,919
Capital Projects	607,267	587,397	19,870
Enterprise	237,320	213,613	23,707
Total	\$ 959,579	\$ 860,974	\$ 98,605

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 36,478	\$ 35,052	\$ (1,426)
Special Revenue	36,169	38,765	2,596
Capital Projects	3,055,461	3,054,787	(674)
Enterprise	130,000	139,740	9,740
Total	\$ 3,258,108	\$ 3,268,344	\$ 10,236

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,436	\$ 43,541	\$ 11,895
Special Revenue	57,504	29,959	27,545
Capital Projects	3,061,309	3,049,993	11,316
Enterprise	156,216	117,409	38,807
Total	\$ 3,330,465	\$ 3,240,902	\$ 89,563

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$ 134,000	0.00%
Mortgage Revenue Bond	31,000	5.00%
OWDA Loans	414,847	0.00%
Total	<u>\$ 579,847</u>	

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

The Mortgage Revenue Bond consists of the Waterworks System First Mortgage Revenue Bond. The Waterworks System First Mortgage Revenue Bond was issued in 1981 for the purpose of improving the municipal waterworks. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The bonds are collateralized by a mortgage on the utility plant and all additions, extensions, improvements and by water revenue receipts. The interest rate is 5% and the debt will be repaid in annual installments of \$3,000 plus interest until the final payment of \$4,000 plus interest in 2021.

In 2009 the Village entered into a 0% loan agreement with the Ohio Water Development Authority (OWDA). The loan amount is scheduled to be \$403,714 and as of December 31, 2011, the loan has not been fully funded. The loan is for a booster station and waterline project to connect to the Village of Byesville water plant. The Village was required to start repayment in January, 2011 in semi-annual installments of \$6,729. The loan will mature July, 2040. The loan is not fully disbursed and the amortization for this loan is not included in the table below.

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

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

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. DEBT (Continued)**

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

Year ending December 31:	Mortgage Revenue Bond	Ohio Public Works Commission	Ohio Water Development Authority
2012	\$ 4,550	\$ 13,400	\$ 1,000
2013	4,400	13,400	1,000
2014	4,250	13,400	1,000
2015	4,100	13,400	1,000
2016	3,950	13,400	20,502
2017-2021	18,500	67,000	-
Total	<u>\$ 39,750</u>	<u>\$ 134,000</u>	<u>\$ 24,502</u>

**5. PROPERTY TAX**

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

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

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.

The Ohio Revised Code prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. RISK MANAGEMENT**

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

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

The 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.

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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$3,100	\$2,804

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.

**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 \$1,638,401. The Village is financing this project through grants and loans. As of December 31, 2011 the amount remaining for this contract is \$57,074.

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

May 7, 2012

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, 2011 and 2010, and have issued our report thereon dated May 7, 2012, 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, and which includes a reference to the implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 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 audit 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 2011-001 described in the accompanying schedule of audit 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 May 7, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one 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 AUDIT FINDINGS  
DECEMBER 31, 2011 and 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001**

**Material Weakness**

**Recording Activity for Construction Project**

The Village received funding through the Ohio Water Development Authority (OWDA) that included both grant and loan proceeds. All payments for this project, including fees and payments to contractors, should have been recorded as proceeds of debt and capital outlay initially. The financing included debt forgiveness through American Recovery and Reinvestment Act grants. The debt forgiveness should have been recorded as principal payments and intergovernmental revenue.

The Village recorded the amounts received from OWDA as intergovernmental revenue instead of proceeds of debt. The debt forgiveness was not recorded.

The failure to record the debt proceeds and forgiveness of debt caused the financial statements to be materially misstated. In addition, some of the OWDA fees were not recorded. The Village has agreed to, and recorded, these adjustments in the financial statements.

Council and Management do not have the experience and knowledge to properly account for the waterline construction project. Grants and loan agreements, particularly with respect to large construction projects, can be unclear as to how the client should account for the activity.

We recommend the Village Fiscal Officer contact the grantor for instructions on how the funding is to be recorded. If the grantor is unsure, the Fiscal Officer should contact the Auditor of State's Local Government Services Division and discuss the accounting requirements with them. This will help to ensure the grants and loans are properly recorded in the accounting system.

**Management's Response** – In the future, accounting procedures will be clearly defined at the beginning of the project.

**VILLAGE OF CUMBERLAND  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Taxes and intergovernmental revenue incorrectly posted	Yes	



# 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  
JULY 17, 2012