

***VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of Cumberland
424 Carl Street
Cumberland, Ohio 43732

We have reviewed the *Report of Independent Accountants* of the Village of Cumberland, Guernsey County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 29, 2006

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**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY
For the Years Ending December 31, 2005 and 2004**

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Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Cumberland
Guernsey County
424 Carl Street
Cumberland, Ohio

We have audited the accompanying financial statements of the Village of Cumberland, Guernsey County, Ohio as and for the years ended December 31, 2005 and 2004. 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 that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position 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 and reserves for encumbrances of the Village of Cumberland, Guernsey County, as of December 31, 2005 and 2004, 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, 2005 and 2004. 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 30, 2006, 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 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.

Charles E. Harris & Associates, Inc.
June 30, 2006

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, 2005

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 18,992	\$ 10,830	-	\$ 29,822
Intergovernmental	16,924	18,331	\$ 4,589	39,844
Interest	470	53	-	523
Other	14	-	-	14
Total Receipts	36,400	29,214	4,589	70,203
Disbursements:				
General Government	24,169	-	-	24,169
Security of Persons & Property	6,500	1,685	-	8,185
Public Health Services	2,000	-	-	2,000
Transportation	-	4,448	-	4,448
Leisure time Activities	444	-	-	444
Capital Outlay	-	-	1,183	1,183
Total Disbursements	33,113	6,133	1,183	40,429
Receipts over(under) disbursements	3,287	23,081	3,406	29,774
Fund Balance 1/1/2005	10,624	11,978	-	22,602
Fund Balance 12/31/2005	\$ 13,911	\$ 35,059	\$ 3,406	\$ 52,376
Reserve for Encumbrances, December 31	\$ 717	\$ 1,677	\$ -	\$ 2,394

See accompanying Notes to the Financial Statements.

VILLAGE OF CUMBERLAND
 GUERNSEY COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
 BALANCES - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 124,584
	124,584
Total Operating Cash Receipts	124,584
Operating Cash Disbursements:	
Personal Services	31,500
Contractual Services	15,611
Supplies and Materials	19,257
Other	747
	67,115
Total Operating Cash Disbursements	67,115
Operating Income (Loss)	57,469
Non-Operating Cash Receipts/(Disbursements)	
Redemption of Principal	(36,643)
Interest and Other Fiscal Charges	(7,750)
	(44,393)
Total Non-Operating Cash Receipts/(Disbursements)	(44,393)
Net Receipts (Under) Disbursements	13,076
Fund Cash Balances, January 1, 2005	55,324
Fund Cash Balances, December 31, 2005	\$ 68,400
Reserve for Encumbrances, December 31	\$ 2,156

See accompanying Notes to the Financial Statements.

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, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property and Other Local Taxes	\$ 20,904	\$ 9,321	\$ 30,225
Intergovernmental	17,425	18,499	35,924
Interest	353	50	403
Other	85	-	85
Total Receipts	38,767	27,870	66,637
Disbursements:			
General Government	27,788	87	27,875
Security of Persons & Property	5,135	7,000	12,135
Public Health Services	1,000	-	1,000
Transportation	-	15,012	15,012
Leisure time Activities	1,000	-	1,000
Capital Outlay	-	334	334
Total Disbursements	34,923	22,433	57,356
Receipts over(under) disbursements	3,844	5,437	9,281
Fund Balance 1/1/2004	6,780	6,541	13,321
Fund Balance 12/31/2004	<u>\$ 10,624</u>	<u>\$ 11,978</u>	<u>\$ 22,602</u>
Reserve for Encumbrances, December 31	<u>\$ 554</u>	<u>\$ 1,564</u>	<u>\$ 2,118</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF CUMBERLAND
 GUERNSEY COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
 IN FUND BALANCES - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 126,672
	126,672
Total Operating Cash Receipts	
Operating Cash Disbursements:	
Personal Services	28,379
Contractual Services	15,581
Supplies and Materials	15,271
	59,231
Total Operating Cash Disbursements	
Operating Income (Loss)	67,441
Non-Operating Cash Receipts/(Disbursements)	
Special Assessments	1,673
Redemption of Principal	(36,262)
Interest and Other Fiscal Charges	(9,281)
	(43,870)
Total Non-Operating Cash Receipts/(Disbursements)	
Net Receipts (Under) Disbursements	23,571
Fund Cash Balances, January 1, 2004	31,753
Fund Cash Balances, December 31, 2004	\$ 55,324
Reserve for Encumbrances, December 31	\$ 1,282

See accompanying Notes to the Financial Statements.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Cumberland, (the Village) is a body corporate and politic established for the purpose of exercising 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 street maintenance, water utilities and park operations. 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 a volunteer fire department.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

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

C. CASH AND INVESTMENTS

The Village maintains a checking account.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction Maintenance & 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 revenues and proceeds of fire contracts to provide fire protection to Village residents.
- Motor Vehicle License Fund – This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.
- Gas Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Village streets.

Capital Projects Funds: These funds are used to 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 state for various Village capital projects.

Proprietary Fund Types:

Enterprise Funds: These 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:

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Proprietary Fund Types: - (Continued)

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

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Clerk-Treasurer identifies increases or decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2004 and 2005.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 5.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

2. CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ <u>120,776</u>	\$ <u>77,926</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Guernsey County Treasurer collects property tax on behalf of all taxing Villages within the county. The Guernsey County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. DEFINED BENEFIT PENSION PLAN

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

4. DEFINED BENEFIT PENSION PLAN – (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2005.

5. BUDGETARY ACTIVITY

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 35,354	\$ 36,400	\$ 1,046
Special Revenue	25,512	29,214	3,702
Capital Projects	4,589	4,589	-0-
Enterprise	125,800	124,584	(1,216)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 44,369	\$ 33,830	\$ 10,539
Special Revenue	36,092	7,810	28,282
Capital Projects	4,589	1,183	3,406
Enterprise	171,226	113,664	57,562

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 34,142	\$ 38,767	\$ 4,625
Special Revenue	23,330	27,870	4,540
Enterprise	125,800	128,345	2,545

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 38,679	\$ 35,477	\$ 3,202
Special Revenue	26,743	23,997	2,746
Enterprise	125,856	106,056	19,800

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. DEBT

Debt outstanding at December 31, 2005 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$ 221,100	0.00%
Mortgage Revenue Bonds	<u>137,800</u>	5.00%
Total	<u>\$ 358,900</u>	

The prior audit ending debt balance, for OPWC loan, as of December 31, 2003 was understated by \$85,092. The prior audit ending balance, for the Mortgage Revenue Bonds was overstated by \$10,080. The prior audit ending debt balance for a promissory note was overstated by \$644.

The Mortgage Revenue Bonds consist of the Waterworks System First Mortgage Revenue Bond and the Waterworks System First Mortgage 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 and improvements and by water revenue receipts.

The Mortgage 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 are collateralized by a mortgage on the utility plant and all additions, extensions and improvements and by water revenue receipts.

The Ohio Public Works Commission (OPWC) loan was issued to make needed repairs/improvements of the current water plant mandated by the Ohio Environmental Protection Agency. The OPWC loan is collateralized by the Village's taxing authority.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. DEBT – (Continued)

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

Year Ending December 31:	Mortgage Revenue <u>Bonds</u>	Ohio Public Works <u>Commission</u>
2006	\$ 16,690	\$ 13,400
2007	17,580	13,400
2008	17,440	13,400
2009	77,460	13,400
2010	4,650	13,400
2011-2015	21,000	67,000
2016-2020	17,250	67,000
2021-2022	<u>-0-</u>	<u>20,100</u>
Total	<u>\$ 172,070</u>	<u>\$221,100</u>

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. CONTINGENT LIABILITIES/ SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(D)**, the Village did not obtain prior certification for expenditures.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Cumberland
Guernsey County
424 Carl Street
Cumberland, Ohio

We have audited the financial statements of the Village of Cumberland, Guernsey County, Ohio (Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 30, 2006, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-VCGC-001, 2005-VCGC-003, 2005-VCGC-005 and 2005-VCGC-006.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, of the reportable conditions described above, we consider item 2005-VCGC-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated June 30, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-VCGC-002 and 2005-VCGC-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 30, 2006.

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

Charles E. Harris and Associates, Inc.

June 30, 2006

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-VCGC-001

Material Weakness

1. Bank Reconciliations

As an established control procedure, the current Clerk-Treasurer performs bank to book reconciliations on a monthly basis. Numerous errors were found in these reconciliation reports during the audit; the errors have caused variances between the cashbook fund balance and bank balance. Since the Village's bank reconciliation reports are not reviewed by anyone other than the Clerk-Treasurer, the errors were not detected and corrected timely.

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of the Village Council. The individual(s) should review the monthly reconciliations to provide assurance that the amounts reported are accurate. The individual(s) also should sign and date the reconciliations as evidence the review has been performed. Management agrees and will take appropriate actions to correct in the future.

FINDING NUMBER 2005-VCGC-002

Noncompliance Citation

2. Certification of Expenditures

Ohio Revised Code Section 5705.41 (D)(1), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-VCGC-002
(Continued)

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 expenditure by the Village.

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.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-two percent of transactions we tested for 2005 and 2004 did not include prior certification of the availability of funds by the Clerk-Treasurer nor was there any evidence of a “Then and Now” certificate being used. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Clerk-Treasurer will review budgetary requirements, including purchasing and make improvements as necessary.

FINDING NUMBER 2005-VCGC-003

Reportable Condition

3. Loan Payments Misclassified

Loan payments related to fixed asset purchases were incorrectly classified as capital outlay expenditures during 2005 and 2004. The proper classification of these payments should have been debt service expenditures. The financial statements have been adjusted to reflect the proper presentation.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-VCGC-003
(Continued)**

We recommend that the expenditures be recorded in accordance with the classifications found in the Ohio Village Officer's Handbook.

The Clerk-Treasurer will properly classify debt service payments in the future.

FINDING NUMBER 2005-VCGC-004

Noncompliance Citation

4. Issue II Fund not Established

Ohio Auditor of State Bulletin # 2002-004 states, in part that "All local governments participating in Issue II Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund for both the Issue II monies and local matching funds."

The Village did not establish a fund for Issue II monies received in 2005. The Village included Issue II funds with the Special Revenue Fund-Street Construction, Maintenance & Repair Fund. The financial statements have been adjusted to reflect the proper presentation.

The Clerk-Treasurer will include Issue II monies in a Capital Projects fund.

FINDING NUMBER 2005-VCGC-005

Reportable Condition

5. Cash Receipts not Recorded

The Treasurer must keep accurate accounts of all money received or disbursed identifying the amount, date, payer and payee, and account.

The Village failed to record cash receipts from the Auditor of State and the County Auditor for the month of September 2004, although the cash receipts were deposited into the Village's bank account. The failure to record these receipts also led to the preparation of incorrect financial statements for the year-end December 31, 2004. The statements for the year-ended December 31, 2004 have been adjusted to account for the unrecorded receipts. The Village agrees with the adjustment.

The Clerk-Treasurer must collect and deposit all Village receipts in a timely fashion, must reconcile bank accounts to the Village books monthly and must record all financial transactions timely.

The Clerk-Treasurer will record all cash receipts into the Village's computer system.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-VCGC-006

Reportable Condition

6. Deposits not Timely

Ohio Revised Code Section 9.38 states in part that “A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer or public office or properly designated depository on the business day next following receipt, if the total amount of such moneys received exceeds one thousand dollars. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.” If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

The Village Clerk deposited all collections of utility billing and other Village receipts on a bi-weekly basis. There was no evidence provided that these undeposited collections were properly safeguarded. The Village accumulated undeposited amounts exceeded \$1,000 numerous times during the audit period.

We recommend the Village Clerk make timely deposits with the Village’s depository. If this is not possible, the legislative authority should adopt a policy for collections under \$1,000.

The Clerk-Treasurer and Village Council will review Ohio Revised Code requirements concerning deposits.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not properly certify all expenditures.	NO	Repeated as finding # 2005-VCGC-002.
2003-002	Contrary to Ohio Rev. Code Section 5705.41(B), the Village had expenditures which exceeded appropriations.	YES	The Village did not have expenditures in excess of appropriations during the audit period.
2003-003	The Village Clerk did not properly reconcile the Village's bank account and no Village official reviewed bank reconciliations.	NO	Repeated as finding # 2005-VCGC-001.
2003-004	The Clerk-Treasurer did not always make timely deposits of Village receipts.	NO	Repeated as finding # 2005-VCGC-006.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 12, 2006**