



Dave Yost • Auditor of State

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cumberland, Guernsey County, Ohio, as of December 31, 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during 2014, the Village reported the Sewer Construction Fund as an Enterprise Fund which had previously been reported as a Capital Projects Fund. The Sewer Construction Fund did not have a beginning balance so fund type beginning balances were not restated. We did not modify our opinion regarding this matter.

Other Matters

Our audit was conducted to opine on the Village's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2016

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**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$16,041	\$10,894	\$0	\$26,935
Intergovernmental	12,010	22,364	2,648	37,022
Special Assessments	0	787	0	787
Fines, Licenses and Permits	1,262	0	0	1,262
Earnings on Investments	431	162	0	593
Miscellaneous	915	256	0	1,171
<i>Total Cash Receipts</i>	<u>30,659</u>	<u>34,463</u>	<u>2,648</u>	<u>67,770</u>
Cash Disbursements				
Current:				
Security of Persons and Property	0	19,319	0	19,319
Leisure Time Activities	0	2,771	0	2,771
Transportation	0	22,763	0	22,763
General Government	20,732	571	0	21,303
<i>Total Cash Disbursements</i>	<u>20,732</u>	<u>45,424</u>	<u>0</u>	<u>66,156</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,927</u>	<u>(10,961)</u>	<u>2,648</u>	<u>1,614</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	1,262	0	1,262
Transfers Out	(1,262)	0	0	(1,262)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,262)</u>	<u>1,262</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	8,665	(9,699)	2,648	1,614
<i>Fund Cash Balances, January 1</i>	<u>10,947</u>	<u>81,046</u>	<u>27,460</u>	<u>119,453</u>
Fund Cash Balances, December 31				
Restricted	0	71,347	30,108	101,455
Assigned	6,866	0	0	6,866
Unassigned (Deficit)	12,746	0	0	12,746
<i>Fund Cash Balances, December 31</i>	<u>\$19,612</u>	<u>\$71,347</u>	<u>\$30,108</u>	<u>\$121,067</u>

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$50,598
<i>Total Operating Cash Receipts</i>	50,598
Operating Cash Disbursements	
Personal Services	5,604
Employee Fringe Benefits	1,160
Contractual Services	35,805
<i>Total Operating Cash Disbursements</i>	42,569
<i>Operating Income (Loss)</i>	8,029
Non-Operating Receipts (Disbursements)	
Intergovernmental	2,453,441
Special Assessments	49,967
Other Debt Proceeds	3,053,225
Capital Outlay	(3,230,483)
Principal Retirement	(2,308,666)
Interest and Other Fiscal Charges	(1,250)
<i>Total Non-Operating Receipts (Disbursements)</i>	16,234
<i>Net Change in Fund Cash Balances</i>	24,263
<i>Fund Cash Balances, January 1</i>	107,616
<i>Fund Cash Balances, December 31</i>	\$131,879

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, 2014**

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 also has an appointed Fiscal Officer and elected Mayor. The Village provides general government services, including water utilities, park operations, and street maintenance. The Village appropriates Fire Fund money to support a volunteer fire department.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entities Pool of Ohio (PEP):

Provided insurance coverage for general liability and casualty, public official's liability and property.

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

B. Accounting Basis

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

C. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Project Funds

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

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

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into three 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. 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.

2. 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.

3. 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.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. Equity in Pooled Deposits

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

Demand deposits	2014
	\$252,946

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,138	\$30,659	\$2,521
Special Revenue	36,902	35,725	(1,177)
Capital Projects	6,114	2,648	(3,466)
Enterprise	5,609,446	5,607,231	(2,215)
Total	\$5,680,600	\$5,676,263	(\$4,337)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$30,111	\$21,994	\$8,117
Special Revenue	81,448	45,424	36,024
Capital Projects	25,000	0	25,000
Enterprise	5,582,200	5,606,409	(24,209)
Total	\$5,718,759	\$5,673,827	\$44,932

4. 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.

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

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OPWC Loan	\$100,500	0%
Mortgage Revenue Bonds	22,000	5%
OWDA Loan #5278	344,689	0%
OWDA Loan #5911	58,855	0%
OWDA Loan #6636	1,092,284	0%
Total	\$1,618,328	

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

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

In 2009 the Village entered into a 0% loan agreement with the Ohio Water Development Authority (OWDA). The loan amount is \$397,719. The loan is for a booster station and waterline project to connect to the Village of Byesville water plant. The Village was required to start repayment in January, 2011 in semi-annual installments of \$6,629. The loan will mature July, 2014.

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 amount is \$99,323. The loan is to be paid in semi-annual installments of \$1,712 beginning January 1, 2012 for a term of 29 years. The Village has drawn down \$69,130 and \$30,193 remains to be drawn down. The loan is not fully disbursed and the amortization for this loan is not included in the table below.

In 2013 the Village entered into a 0% loan agreement with the Ohio Water Development Authority (OWDA) for the construction of a wastewater treatment system. The loan includes a \$1,573,084 portion and a \$500,000 portion which will be repaid with principal forgiveness by OWDA. During 2014, \$1,345,859 and \$489,685, respectively, was drawn and repaid with principal forgiveness. The loan also includes an installment loan portion for \$1,573,084 of which \$1,092,284 was drawn down in 2014. The loan repayments do not begin until 2016 and will continue until 2035. The loan is not fully disbursed and the amortization for this loan is not included in the table below.

In 2014 the Village entered into a 0% loan agreement with the Ohio Water Development Authority (OWDA) as a supplemental loan to the wastewater treatment system project. The loan was for \$250,000 which will be repaid by an ARC grant. During 2014, \$125,397 was drawn down and repaid by the ARC grant.

The Village's taxing authority collateralized the bonds.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	OPWC Loan	Mortgage Revenue Bonds	OWDA Loan #5278
2015	\$13,400	\$4,100	\$13,257
2016	13,400	3,950	13,257
2017	13,400	3,800	13,257
2018	13,400	3,650	13,257
2019	13,400	3,500	13,257
2020-2024	33,500	7,550	66,287
2025-2029			66,287
2030-2034			66,287
2035-2039			66,287
2040			13,256
Total	\$100,500	\$26,550	\$344,689

6. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

7. Risk Management (Continued)

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 net position at December 31, 2014:

	<u>2014</u>
Assets	\$35,402,177
Liabilities	<u>(12,363,257)</u>
Net Position	<u>\$23,038,920</u>

At December 31, 2014, the liabilities above include approximately \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million of unpaid claims to be billed. The Pool's membership was 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, 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>
<u>2014</u>
\$3,875

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. Reclassification of Fund

The Village has a Sewer Construction Fund that was reported as a Capital Projects Fund as of December 31, 2013. The fund was created to track the loans, grants and construction costs of the wastewater treatment system. As such, the fund is classified as an Enterprise Fund for 2014. There was no beginning balance in this fund so no restatement is necessary.

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**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Small Cities Community Development Block Grant Program			
Water and Sanitary Sewer Grant Program	C-W-13-2NA-1	14.228	\$492,500
Total U.S. Department of Housing and Urban Development			492,500
APPALACHIAN REGIONAL COMMISSION			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Appalachian Area Development	OH-17682	23.002	125,397
Total Appalachian Regional Commission			125,397
Total Federal Awards Expenditures			\$617,897

The Notes to the Schedule of Federal Awards Expenditures are an integral part of the Schedule.

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Cumberland, Guernsey County, Ohio (the Village), as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated January 20, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Village reclassified the Sewer Construction Fund from a Capital Projects Fund to an Enterprise Fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2014-001 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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council

Report on Compliance for the Major Federal Program

We have audited the Village of Cumberland's, Guernsey County, Ohio (the Village), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Cumberland, Guernsey County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2016

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): • Community Development Block Grant – CFDA #14.228	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Material Weakness

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

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- General Fund ending balance of \$6,866 was reported as Unassigned, but should have been Assigned;
- A loan payment to OWDA was refunded, overstating Principal Payments and Special Assessments in the Sewer Operating Fund by \$7,875;
- Not all OWDA activity was recorded in the Sewer Construction Fund and the recorded amounts were not in the correct line items. As a result, Intergovernmental receipts were decreased \$662,908, Debt Proceeds was increased \$3,053,225, Capital Outlay was increased \$114,134, and Principal Payment was increased \$2,276,183.

VILLAGE OF CUMBERLAND
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014
(Continued)

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

FINDING NUMBER 2014-001 (Continued)

Material Weakness (Continued)

- The Sewer Construction Fund was incorrectly classified as a Capital Projects Fund rather than an Enterprise Fund. Activity in the Sewer Construction Fund (including the adjustment in the bullet point above) was adjusted to be recorded as an Enterprise Fund by reducing Capital Projects Sewer Construction Fund Intergovernmental receipts of \$2,453,441, Debt Proceeds of \$3,053,225, Capital Outlay of \$3,230,483 and Principal Payment of \$2,276,183 and increasing Enterprise Sewer Construction Fund activity in the same amounts.

The audited financial statements have been adjusted to reflect this activity.

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

Officials' Response: The Village will refer to the Village Handbook in the future to properly classify its receipts and expenditures.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF CUMBERLAND
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance/Material Weakness for mis-posting of various receipts and disbursements.	No	See Finding Number 2014-001 in the accompanying Schedule of Findings.
2013-002	Noncompliance for expenditures exceeding appropriations.	No	See management comment in separately issued management letter.
2013-003	Noncompliance for not certifying the availability of funds prior to commitment.	No	See management comment in separately issued management letter.

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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
FEBRUARY 11, 2016**