



**Auditor of State
Betty Montgomery**

VILLAGE OF GLOUSTER
ATHENS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	21

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Glouster
Athens County
16 ½ Front Street
Glouster, Ohio 45732

To the Village Council:

We have audited the accompanying financial statements of the Village of Glouster, Athens County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Glouster, Athens County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 14, 2004

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 96,931	\$ 56,509	\$	\$ 153,440
Intergovernmental Receipts	55,400	107,611		163,011
Charges for Services	62,734	6,000		68,734
Fines, License and Permits	29,189	2,822		32,011
Earnings on Investments	4,413			4,413
Miscellaneous	5,502	3,900		9,402
	<u>254,169</u>	<u>176,842</u>	<u>0</u>	<u>431,011</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	167,649	16,495		184,144
Public Health Services	1,400			1,400
Leisure Time Activities		10,948		10,948
Transportation		114,060		114,060
General Government	95,577			95,577
Capital Outlay			219,512	219,512
Debt Service:				
Principal Payments	6,245	183,850		190,095
Interest Payments	100	8,547		8,647
	<u>270,971</u>	<u>333,900</u>	<u>219,512</u>	<u>824,383</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(16,802)</u>	<u>(157,058)</u>	<u>(219,512)</u>	<u>(393,372)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets		288		288
Sale of Notes		166,060	176,065	342,125
Other Financing Uses	(209)			(209)
	<u>(209)</u>	<u>166,348</u>	<u>176,065</u>	<u>342,204</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,011)	9,290	(43,447)	(51,168)
Fund Cash Balances, January 1	48,976	85,233	43,779	177,988
Fund Cash Balances, December 31	<u>\$ 31,965</u>	<u>\$ 94,523</u>	<u>\$ 332</u>	<u>\$ 126,820</u>
Reserves for Encumbrances, December 31	<u>\$ 384</u>	<u>\$ 12</u>	<u>\$ 0</u>	<u>\$ 396</u>

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,182,787	\$	\$ 1,182,787
Miscellaneous	24,143		24,143
Total Operating Cash Receipts	<u>1,206,930</u>	<u>0</u>	<u>1,206,930</u>
Operating Cash Disbursements:			
Current:			
Personal Services	158,407		158,407
Fringe Benefits	77,061		77,061
Contractual Services	710,154		710,154
Supplies and Materials	71,668		71,668
Miscellaneous	62,237		62,237
Capital Outlay	150,969		150,969
Total Operating Cash Disbursements	<u>1,230,496</u>	<u>0</u>	<u>1,230,496</u>
Operating Income/(Loss)	<u>(23,566)</u>	<u>0</u>	<u>(23,566)</u>
Non-Operating Cash Receipts (Disbursements):			
Intergovernmental Receipts	119,281		119,281
Special Assessments	11,946		11,946
Sale of Notes	39,734		39,734
Miscellaneous Receipts	20,000		20,000
Other Non-Operating Cash Receipts		37,391	37,391
Redemption of Principal	(43,627)		(43,627)
Interest and Other Financing Charges	(2,065)		(2,065)
Other Non-Operating Cash Disbursements		(42,442)	(42,442)
Total Non-Operating Cash Receipts (Disbursements)	<u>145,269</u>	<u>(5,051)</u>	<u>140,218</u>
Net Cash Receipts Over/(Under) Cash Disbursements	121,703	(5,051)	116,652
Fund Cash Balances, January 1	<u>280,887</u>	<u>9,961</u>	<u>290,848</u>
Fund Cash Balances, December 31	<u>\$ 402,590</u>	<u>\$ 4,910</u>	<u>\$ 407,500</u>
Reserve for Encumbrances, December 31	<u>\$ 1,112</u>	<u>\$ 0</u>	<u>\$ 1,112</u>

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 96,621	\$ 57,096	\$	\$ 153,717
Intergovernmental Receipts	61,738	75,906		137,644
Charges for Services	71,523	1,000		72,523
Fines, License and Permits	34,465	2,770		37,235
Earnings on Investments	4,547			4,547
Miscellaneous	1,683	3,105		4,788
	<u>270,577</u>	<u>139,877</u>	<u>0</u>	<u>410,454</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	138,901	18,998		157,899
Public Health Services	1,828			1,828
Leisure Time Activities		11,615		11,615
Basic Utility Services	22,745			22,745
Transportation		106,987		106,987
General Government	86,399			86,399
Capital Outlay		177,699	74,855	252,554
Debt Service:				
Principal Payments		17,147		17,147
Interest Payments		5,353		5,353
	<u>249,873</u>	<u>337,799</u>	<u>74,855</u>	<u>662,527</u>
Total Cash Disbursements	<u>249,873</u>	<u>337,799</u>	<u>74,855</u>	<u>662,527</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>20,704</u>	<u>(197,922)</u>	<u>(74,855)</u>	<u>(252,073)</u>
Other Financing Receipts/(Disbursements):				
Sale of Notes	6,175	171,931		178,106
Sale of Fixed Assets		50		50
Transfers - In	30,000			30,000
Transfers - Out	(30,000)			(30,000)
Other Financing Sources			118,634	118,634
	<u>6,175</u>	<u>171,981</u>	<u>118,634</u>	<u>296,790</u>
Total Other Financing Receipts/(Disbursements)	<u>6,175</u>	<u>171,981</u>	<u>118,634</u>	<u>296,790</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	26,879	(25,941)	43,779	44,717
Fund Cash Balances, January 1	<u>22,097</u>	<u>111,174</u>	<u>0</u>	<u>133,271</u>
Fund Cash Balances, December 31	<u>\$ 48,976</u>	<u>\$ 85,233</u>	<u>\$ 43,779</u>	<u>\$ 177,988</u>
Reserve for Encumbrances, December 31	<u>70</u>	<u>9,377</u>	<u>0</u>	<u>9,447</u>

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,165,681	\$	\$ 1,165,681
Miscellaneous	41,826		41,826
Total Operating Cash Receipts	<u>1,207,507</u>	<u>0</u>	<u>1,207,507</u>
Operating Cash Disbursements:			
Current:			
Personal Services	149,387		149,387
Fringe Benefits	66,201		66,201
Contractual Services	734,001		734,001
Supplies and Materials	61,882		61,882
Miscellaneous	66,400		66,400
Capital Outlay	34,158		34,158
Total Operating Cash Disbursements	<u>1,112,029</u>	<u>0</u>	<u>1,112,029</u>
Operating Income/(Loss)	<u>95,478</u>	<u>0</u>	<u>95,478</u>
Non-Operating Cash Receipts (Disbursements):			
Property and Other Local Taxes	22,305		22,305
Special Assessments	12,014		12,014
Sale of Notes	51,427		51,427
Other Non-Operating Cash Receipts		51,076	51,076
Redemption of Principal	(67,027)		(67,027)
Interest and Other Fiscal Charges	(3,093)		(3,093)
Other Non-Operating Cash Disbursements		(41,135)	(41,135)
Total Non-Operating Cash Receipts (Disbursements)	<u>15,626</u>	<u>9,941</u>	<u>25,567</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	111,104	9,941	121,045
Transfers-In	30,000		30,000
Transfers-Out	(30,000)		(30,000)
Net Receipts Over/(Under) Disbursements	<u>111,104</u>	<u>9,941</u>	<u>121,045</u>
Fund Cash Balances, January 1	169,783	20	169,803
Fund Cash Balances, December 31	<u>\$ 280,887</u>	<u>\$ 9,961</u>	<u>\$ 290,848</u>
Reserve for Encumbrances, December 31	<u>\$ 674</u>	<u>\$ 0</u>	<u>\$ 674</u>

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Glouster, Athens County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council, a publicly-elected Mayor, and an appointed Clerk. The Village provides general governmental services, including police services, fire protection services, maintenance of Village streets and highways, water and electric utility services and park operations (leisure time activities).

The Village is associated with the Trimble Township Wastewater District which is defined as a jointly governed organization. The organization is presented in Note 9.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit are valued at cost. Interest earned is recognized and recorded when received.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than 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 - The Village receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF GLOUSTER
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

D. Fund Accounting (Continued)

2. **Special Revenue Fund (Continued)**

Fire Fund - This fund receives money from a tax levy approved by the voters for providing fire protection for the Village.

Street Levy Fund - This fund receives money from a tax levy approved by the voters for constructing, maintaining and repairing Village streets.

3. **Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Fund:

Capital Project Fund - This fund received money from an insurance settlement and loan proceeds for the construction of a street department building.

4. **Enterprise Funds**

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

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

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

5. **Fiduciary Fund (Agency Fund)**

This fund accounts for activity for which the Village is acting in an agency capacity. The Village had the following Agency Fund:

Mayor's Court Fund - This fund accounts for the financial activity of the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

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.

2. EQUITY IN POOLED CASH

The Village maintains a cash 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>2003</u>	<u>2002</u>
Demand deposits	\$ 414,320	\$ 348,836
Certificates of deposit	120,000	120,000
Total deposits	<u>\$ 534,320</u>	<u>\$ 468,836</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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 233,303	\$ 254,169	\$ 20,866
Special Revenue	163,990	343,190	179,200
Capital Projects	176,065	176,065	0
Enterprise	1,146,613	1,397,891	251,278
Total	\$ 1,719,971	\$ 2,171,315	\$ 451,344

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 256,815	\$ 271,564	\$ (14,749)
Special Revenue	247,556	333,912	(86,356)
Capital Projects	243,700	219,512	24,188
Enterprise	1,273,673	1,277,300	(3,627)
Total	\$ 2,021,744	\$ 2,102,288	\$ (80,544)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 306,881	\$ 306,752	\$ (129)
Special Revenue	510,366	311,858	(198,508)
Capital Projects	8,634	118,634	110,000
Enterprise	1,255,141	1,323,253	68,112
Total	\$ 2,081,022	\$ 2,060,497	\$ (20,525)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 290,900	\$ 279,943	\$ 10,957
Special Revenue	604,200	347,176	257,024
Capital Projects	0	74,855	(74,855)
Enterprise	1,242,200	1,212,823	29,377
Total	\$ 2,137,300	\$ 1,914,797	\$ 222,503

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire, Capital Improvement, Electric and Enterprise Improvement Funds by \$1,570, \$74,855, \$34,275 and \$3,264, respectively, as of December 31, 2002. Budgetary expenditures exceeded appropriation authority in the General, Street Construction, Maintenance and Repair, Fire and Enterprise Improvement Funds by \$14,749, \$3,607, \$152,513 and \$114,073, respectively, as of December 31, 2003.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

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

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.

5. DEBT

Debt outstanding at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Interest</u>
Electric Department Truck Loan	\$ 39,734	5.75%
Fire Department Truck Loan	156,060	4.63%
Street Department Building Loan	<u>176,065</u>	5.71%
Total	<u>\$ 371,859</u>	

The Electric Department Truck Loan relates to the purchase of a bucket truck for the Village's electric department. The revenues of the electric utility are pledged to repay this debt.

The Fire Department Truck Loan relates to the purchase of Pierce Manufacturing Fire Truck in 2002. The full faith and credit of the Village has been pledged to repay this debt.

The Street Department Building Loan relates to the construction of a street department building in 2003. The original cost to construct the building was \$280,300. The original amount of the loan was \$176,065 with the balance of the construction costs paid from an insurance settlement received by the Village when the Village's garage was destroyed by fire in 2002. The full faith and credit of the Village has been pledged to repay this debt.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

Year Ending December 31:	Electric Department Truck Loan	Fire Truck Loan	Street Department Building Loan
2004	\$ 41,466	\$ 169,890	\$ 16,907
2005			16,907
2006			16,907
2007			16,907
2008			16,907
Subsequent			253,605
Total	<u>\$ 41,466</u>	<u>\$ 169,890</u>	<u>\$ 338,140</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees, part-time law enforcement officers and some elected officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant gross salaries. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance

For the period January 2002 through November 2003, the Village had obtained commercial insurance for the following risks:

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

In December 2003, the Village joined the Ohio Government Risk Management Plan. The disclosures for this plan are as follows:

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Village also provides health insurance coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. JOINTLY GOVERNED ORGANIZATION

Trimble Township Wastewater Treatment District – The Trimble Township Wastewater Treatment District (the District) is a regional sewer district organized under Chapter 6119 of the Ohio Revised Code. The District operates under the direction of an eight member Board of Trustees whose membership is composed of two appointments from each of the participating subdivisions: Village of Trimble, Village of Jacksonville, Village of Glouster and Timble Township. The membership elects a President, Vice-President, and a Secretary-Treasurer, who are responsible for fiscal control of the financial resources of the District. To obtain financial information, write to the Trimble Township Wastewater Treatment District, Joy Hemsley, Secretary-Treasurer, at 18551 Jacksonville Road, P.O. Box 278, Jacksonville, Ohio 45740. During 2002, the Village paid the District \$1,821 for sewer services. During 2003, the Village paid the District \$1,762 for sewer services.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Glouster
Athens County
16 ½ Front Street
Glouster, Ohio 45732

To the Village Council:

We have audited the accompanying financial statements of the Village of Glouster, Athens County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 14, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 to 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 14, 2004.

Internal Control 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 statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated April 14, 2004.

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Village of Glouster
Athens County
Independent Accountants' Report on Compliance and on Internal Control
Required By *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 14, 2004

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Finding For Recovery

Mary Shafer, former Mayor's Court Clerk, was responsible for depositing monies received for Mayor's Court payments made to the Village. Upon receipt, Ms. Shafer was responsible for recording the receipts in the duplicate receipt book and cashbook, preparing a deposit slip and depositing the money with the bank. Former Mayor David Angle was responsible for the supervision and operations of the Court.

Our testing disclosed the following variances between amounts recorded in the duplicate receipt book and cashbook and the amount deposited with the Glouster Community Bank:

Total 2002 receipts per the duplicate receipt book and cashbook	Total 2002 Mayor's Court deposits	Shortage
<u>\$ 51,972</u>	<u>\$ 48,466</u>	<u>\$ 3,506</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies collected but unaccounted for against Mary Shafer, former Mayor's Court Clerk and former Mayor David Angle, jointly and severally, in the amount of \$3,506, in favor of the Mayor's Court of the Village of Glouster.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2002-002
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D) (Continued):

Amounts of less than \$100 for counties, or less than \$1,000 (\$3,000 after April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Funds were not properly certified for sixty-five percent (65%) of the transactions tested in 2003 and sixty-nine percent (69%) of the transactions tested in 2002, and neither of the above exceptions were met.

We recommend the Village obtain the prior certification of the Village fiscal officer before an obligation is incurred.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires public money be deposited with a designated depository on the business day following the day of receipt. 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. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Mayor's Court Clerk routinely held deposits for extended periods of time during 2002. In one instance there were no deposits made for an entire month. There was no policy in place that permitted receipts to be held longer than the next business day.

We recommend the Mayor's Court Clerk deposit monies in his/her possession with the designated depository within one day of receiving the monies, unless the Village Council adopts a policy permitting receipts to be held for a longer period, but no more than three days.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Rev. Code Section 9.38 (Continued)

Ohio Rev. Code Section 1905.21 requires the Mayor of a municipal corporation and a Mayor's Court Magistrate to keep a docket. Further, this Section requires the Mayor's Court Magistrate to account for all fines, forfeitures, fees, and costs collected and transfer them to the Mayor. The Mayor shall account for and dispose of all such fines, forfeitures, fees, and costs he collects, including all such fines, forfeitures, fees, and costs that are transferred to him by the Mayor's Court Magistrate as provided in Ohio Rev. Code Section 733.40.

A docket was maintained in 2002 and 2003. However, the posting of the docket was incomplete in 2002. All cases were not posted to the docket and payments made on outstanding fines were not always posted. Also, the Mayor's Court cashbook as of December 31, 2002, was incomplete. A significant number of 2002 transactions were not posted to the cashbook until after the new Mayor's Court Clerk was employed. This condition could allow errors and fraud to occur and go undetected.

We recommend all relevant activity be posted to the docket and cashbook as it occurs without delay. We also recommend the Mayor periodically review the cashbook and docket and his review should be documented by the Mayor through his initials or signature.

FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Expenditures exceeded appropriations in the following funds as of December 31, 2002:

Fund	Total Appropriations	Budgetary Expenditures	Variance
Fire	\$ 212,300	\$ 213,870	\$ (1,570)
Capital Improvement	0	74,855	(74,855)
Electric	833,000	867,275	(34,275)
Enterprise Improvement	0	3,264	(3,264)

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2002-004
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(B) (Continued):

Expenditures exceeded appropriations in the following funds as of December 31, 2003:

Fund	Total Appropriations	Budgetary Expenditures	Variance
General	\$ 256,815	\$ 271,564	\$ (14,749)
Street Construction, Maintenance and Repair	46,048	49,655	(3,607)
Fire	45,923	198,136	(152,213)
Enterprise Improvement	15,000	129,073	(114,073)

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30705-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding total estimated resources.	No	Partially Corrected: This issue is reported in the current audit Management Letter.
2001-30705-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations in various funds..	No	Not Corrected: This item is repeated in the current audit Schedule of Findings as finding number 2003-004.
2001-30705-003	A material non-compliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly certifying the availability of funds.	No	Not Corrected: This item is repeated in the current audit Schedule of Findings as finding number 2003-002.



**Auditor of State
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VILLAGE OF GLOUSTER

ATHENS 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
AUGUST 24, 2004**