

**VILLAGE OF GLOUSTER  
ATHENS COUNTY  
Regular Audit  
December 31, 2007 and 2006**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Glouster  
16 ½ Front Street  
Glouster, Ohio 45732

We have reviewed the *Independent Accountants' Report* of the Village of Glouster, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Glouster is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 27, 2008

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**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

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***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT**

September 13, 2008

Village of Glouster  
Athens County  
16 ½ Front Street  
Glouster, OH 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, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006 or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Glouster, Athens County, as of December 31, 2007 and 2006, 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, 2007 and 2006. The Government 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 September 13, 2008 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

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

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

**VILLAGE OF 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, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 75,333	\$ 89,981	\$ 165,314
Intergovernmental	111,847	147,935	259,782
Charges for Services	44,240	6,000	50,240
Fines, Licenses, and Permits	23,795	1,885	25,680
Earnings on Investments	8,011	-	8,011
Miscellaneous	8,882	-	8,882
	<u>272,108</u>	<u>245,801</u>	<u>517,909</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	230,315	29,832	260,147
Leisure Time Activities	-	38,592	38,592
Transportation	-	130,697	130,697
General Government	80,835	-	80,835
Debt Service:			
Redemption of Principal	-	21,191	21,191
Interest and Fiscal Charges	471	15,199	15,670
	<u>311,621</u>	<u>235,511</u>	<u>547,132</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(39,513)</u>	<u>10,290</u>	<u>(29,223)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Note Proceeds	15,220	-	15,220
	<u>15,220</u>	<u>-</u>	<u>15,220</u>
Total Other Financing Receipts/(Disbursements)	<u>15,220</u>	<u>-</u>	<u>15,220</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,293)	10,290	(14,003)
Fund Cash Balances, January 1	7,339	86,571	93,910
<b>Fund Cash Balances, December 31</b>	<b><u>\$ (16,954)</u></b>	<b><u>\$ 96,861</u></b>	<b><u>\$ 79,907</u></b>
Reserve For Encumbrances, December 31	<u>\$ 46,110</u>	<u>\$ 17,804</u>	<u>\$ 63,914</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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fudiciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 1,347,041	\$ -	\$ 1,347,041
Total Operating Revenues	<u>1,347,041</u>	<u>-</u>	<u>1,347,041</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	192,500	-	192,500
Fringe Benefits	117,549	-	117,549
Contractual Services	927,446	-	927,446
Supplies and Materials	80,645	-	80,645
Other	54,350	-	54,350
Total Operating Cash Disbursements	<u>1,372,490</u>	<u>-</u>	<u>1,372,490</u>
Operating Income (Loss)	<u>(25,449)</u>	<u>-</u>	<u>(25,449)</u>
<b>Non-Operating Cash Receipts/Disbursements:</b>			
Special Assessments	19,762	-	19,762
Miscellaneous	35,928	-	35,928
Capital Outlay	(89,104)	-	(89,104)
Other Non-Operating Cash Receipts	-	30,053	30,053
Other Non-Operating Cash Disbursements	-	(29,609)	(29,609)
Total Non-Operating Cash Receipts/Disbursements	<u>(33,414)</u>	<u>444</u>	<u>(32,970)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(58,863)	444	(58,419)
Transfer-In	50,000	-	50,000
Transfer-Out	(50,000)	-	(50,000)
Net Receipts Over/(Under) Cash Disbursements	(58,863)	444	(58,419)
Fund Cash Balances, January 1	<u>448,840</u>	<u>1,265</u>	<u>450,105</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 389,977</u></b>	<b><u>\$ 1,709</u></b>	<b><u>\$ 391,686</u></b>
Reserve For Encumbrances, December 31	<u>\$ 67,041</u>	<u>\$ -</u>	<u>\$ 67,041</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, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 59,051	\$ 103,639	\$ 162,690
Intergovernmental	87,192	66,414	153,606
Charges for Services	45,006	7,000	52,006
Fines, Licenses, and Permits	28,329	2,792	31,121
Earnings on Investments	6,698	912	7,610
Miscellaneous	13,327	5,285	18,612
	<u>239,603</u>	<u>186,042</u>	<u>425,645</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	165,725	29,289	195,014
Leisure Time Activities	-	12,898	12,898
Transportation	-	107,205	107,205
General Government	76,442	-	76,442
Debt Service:			
Redemption of Principal	-	16,934	16,934
Interest and Fiscal Charges	-	21,536	21,536
	<u>242,167</u>	<u>187,862</u>	<u>430,029</u>
<b>Total Cash Disbursements</b>			
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>(2,564)</u>	<u>(1,820)</u>	<u>(4,384)</u>
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets	-	1,020	1,020
	<u>-</u>	<u>1,020</u>	<u>1,020</u>
<b>Total Other Financing Receipts</b>			
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	(2,564)	(800)	(3,364)
<b>Fund Cash Balances, January 1</b>	<u>9,903</u>	<u>87,371</u>	<u>97,274</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 7,339</b></u>	<u><b>\$ 86,571</b></u>	<u><b>\$ 93,910</b></u>
<b>Reserve For Encumbrances, December 31</b>	<u><b>\$ 6,648</b></u>	<u><b>\$ 2,641</b></u>	<u><b>\$ 9,289</b></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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 1,331,467	\$ -	\$ 1,331,467
Total Operating Revenues	<u>1,331,467</u>	<u>-</u>	<u>1,331,467</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	179,443	-	179,443
Fringe Benefits	94,357	-	94,357
Contractual Services	917,941	-	917,941
Supplies and Materials	57,106	-	57,106
Other	42,152	-	42,152
Total Operating Cash Disbursements	<u>1,290,999</u>	<u>-</u>	<u>1,290,999</u>
Operating Income (Loss)	<u>40,468</u>	<u>-</u>	<u>40,468</u>
<b>Non-Operating Cash Receipts/Disbursements:</b>			
Special Assessments	20,256	-	20,256
Miscellaneous	28,263	-	28,263
Capital Outlay	(106,613)	-	(106,613)
Other Non-Operating Cash Receipts	-	35,903	35,903
Other Non-Operating Cash Disbursements	-	(39,035)	(39,035)
Total Non-Operating Cash Receipts/Disbursements	<u>(58,094)</u>	<u>(3,132)</u>	<u>(61,226)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(17,626)	(3,132)	(20,758)
Fund Cash Balances, January 1	<u>466,466</u>	<u>4,397</u>	<u>470,863</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 448,840</u></b>	<b><u>\$ 1,265</u></b>	<b><u>\$ 450,105</u></b>
Reserve For Encumbrances, December 31	<u>\$ 12,342</u>	<u>\$ -</u>	<u>\$ 12,342</u>

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Glouster, Athens County, Ohio, (the Village) is a body politic and corporate 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 Fiscal Officer. The Village provides general government 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**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of Deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

*Parks Recreation* – This fund receives tax money for park maintenance and repair.

*Fire Fund* – This fund receives tax money for fire protection.

*Street Levy Fund* – This fund received money from an insurance settlement and loan proceeds for the construction of a street department building.

**3. 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 Operating Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

**4. Fiduciary Funds (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

*Mayor's Court Fund* – This Agency Fund receives fines from police department citations. These monies are divided between the Village and the State, as prescribed by law.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**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 GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	<b>2007</b>	<b>2006</b>
Demand deposits	\$351,593	\$424,015
Certificates of Deposit	120,000	120,000
Total deposits	471,593	544,015

**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 years ended December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 215,000	\$ 287,328	\$ 72,328
Special Revenue	145,000	245,801	100,801
Enterprise	1,259,500	1,452,731	193,231
Total	\$ 1,619,500	\$ 1,985,860	\$ 366,360

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 215,692	\$ 357,731	\$ (142,039)
Special Revenue	230,379	253,315	(22,936)
Enterprise	1,695,998	1,528,635	167,363
Total	\$ 2,142,069	\$ 2,139,681	\$ 2,388

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 246,728	\$ 239,603	\$ (7,125)
Special Revenue	156,500	187,061	30,561
Enterprise	1,208,500	1,379,986	171,486
Total	\$ 1,611,728	\$ 1,806,650	\$ 194,922

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 245,954	\$ 248,815	\$ (2,861)
Special Revenue	237,957	190,503	47,454
Enterprise	1,621,500	1,409,954	211,546
Total	\$ 2,105,411	\$ 1,849,272	\$ 256,139

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 100% of expenditures tested during 2006 and 70% of expenditures testing during 2007.

Contrary to Ohio Rev. Code Section 5705.36, budgeted receipts were more than actual receipts in the General Fund for 2006.

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the General Fund in 2006 and the General, Street, Park, Street Levy, and Enterprise Water Operating Funds in 2007.

**4. PROPERTY TAX**

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest
Fire Department Truck Loan	\$ 110,185	4.62%
Street Department Building Loan	157,965	5.71%
Police Car Loan	15,220	6.17%
	\$ 283,370	



**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. DEBT (Continued)**

The Fire Department Truck Loan relates to the purchase of a 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 \$200,000 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. The prior audit reflected an inaccurate balance due at December 31, 2005 of \$162,011. The principal outstanding at December 31, 2005 was \$172,215.

The Police Car Loan relates to the purchase of a police car and appropriate accessories in 2007 for \$15,220. The Full faith and credit of the Village has been pledged to repay this debt.

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

Year ending December 31:	Fire Department Truck Loan	Street Department Building Loan	Police Car Loan
2008	\$ 115,280	\$ 166,510	\$ 16,159

All of the Village's debt has a maturity of one year; therefore the entire principal is reflected as being due in full in the preceding year. At the conclusion of the year, the Village negotiates a new rate and refinances each loan with the bank with a new one-year maturity.

**6. RETIREMENT SYSTEMS**

Officials and employees, other than law enforcement officers, belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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.

The Ohio Revised Code also prescribes contribution rates. For 2007 members of PERS contributed 9.5% and for 2006 members of PERS contributed 9% of their gross salaries. The Village contributed an amount equal to 13.85% in 2007 and 13.7% in 2006 of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	<u><b>2006</b></u>	<u><b>2005</b></u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. CONTINGENT LIABILITIES**

Amount 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.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**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 Trimble 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 2006, the Village paid the District \$1,899 for sewer services. During 2007, the Village paid the District \$1,547 for sewer services.

**10. TRANSFERS**

During 2007 the following transfer was made from the Enterprise Fund:

Transfer from the Electric Operating Fund to:	
Water Operating Fund	<u>\$50,000</u>
Total Transfers from the Electric Operating Fund	<u><u>\$50,000</u></u>

The transfer from the Electric Operating Fund to the Water Operating Fund was for purposes of payment of expenses incurred and anticipated in the operation of the Village water utility.

Transfer to the above mentioned Water Operating Fund was determined to be in compliance.

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

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

September 13, 2008

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

To the Village Council:

We have audited the financial statements of the Village of Glouster, Athens County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 13, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 thru 2007-010.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2007-001 thru 2007-003 described above are material weaknesses.

We noted other internal control matters we reported to the Village's management is a separate letter dated September 13, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2007-001 thru 2007-006.

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

Respectfully Submitted,



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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2007-001**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Rev. Code Section 5705.10** requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had a negative fund balance at December 31, 2007 as follows:

<u>Fund</u>	<u>Deficit</u>
General Fund	(\$16,954)

We recommend the Village monitor their fund balances to ensure that money from various funds is not used to pay obligations of other funds.

**Management’s Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-002**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Rev. Code Section 118.022** states the conditions, which are grounds for a fiscal watch. Ohio Rev. Code Section 118.021 provides that a municipal corporation, county or township may undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency. The review will be initiated by a written request to the auditor of state from the mayor of the municipal corporation or by the presiding officer of the legislative authority, when authorized by a majority of the members of the legislative authority, or initiated by the Auditor of State.

At the end of December 31, 2007, the Village’s General Fund had a \$16,954 deficit fund balance (See Finding Number 1).

We recommend the Village consider contacting the Auditor of State in writing, to determine if a written declaration of fiscal watch is necessary based on the Village’s current condition. In addition, the Village should develop and implement a financial plan of corrective action.

**Management’s Response** – We did not receive a response from officials to this finding.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Admin. Code Section 117-2-02 (D)(4)(a)** requires all local public offices to maintain payroll records including: (1) W-2's, W-4's and other withholding records and authorizations; (2) a payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments; and (3) a check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

The payroll records are maintained manually on a sheet of paper rather than on a detailed payroll ledger. This paper indicates the elected officials at the beginning of the fiscal year, their approved salaries, the monthly gross income, and the deductions that are withheld. The W-2's are then prepared from the paper at fiscal year-end. The payroll vouchers only show the net pay for the respective pay period; thus, the gross pay for the fiscal year is not actually determinable.

A detailed payroll record would list each pay period, the gross pay, all deductions, and the net pay for the fiscal year. The W-2's would be prepared directly from the payroll record. The Village should either maintain a payroll ledger or participate in the payroll system under UAN.

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

**FINDING NUMBER 2007-004**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. 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.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-004**

**Ohio Revised Code § 5705.41(D) (Continued)**

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. 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 expenditures by the taxing authority.
  
2. 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.
  
3. Super Blanket Certificate – The entity 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.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% and 70% of the expenditures tested during 2006 and 2007, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**Management’s Response** – We did not receive a response from officials to this finding.



**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-005**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2006, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

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

**FINDING NUMBER 2007-006**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2007 in the General, Street, Park, and Street Levy Funds and in 2006 in the General Fund.

We recommend the Village Clerk modify appropriations with Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-007**

**Significant Deficiency**

**Proper Posting of Receipts and Disbursements**

The Village should utilize the UAN chart of accounts to determine proper posting of receipts and disbursements. The Village did not properly classify all receipts such as intergovernmental receipts and property taxes. Also, the Village did not properly classify all disbursements such as debt payments.

Several reclassifications were necessary and are reflected in the financial statements of the report.

The Village Fiscal Officer should utilize the UAN chart of accounts to determine proper posting of receipts and disbursements.

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

**FINDING NUMBER 2007-008**

**Significant Deficiency**

**Posting Estimated Resources and Appropriations**

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-009**

**Significant Deficiency/Material Weakness**

**Floating Checks**

During a scan of non-payroll expenditures, it was noted that the check numbers recorded in the system were different than the actual check numbers that cleared the bank. Manual checks were written due to insufficient fund balances. When the fund balances were large enough to charge the manual check to the account, these charges were than entered into the system. Some checks were not entered into the system because of inadequate account balances. These checks were than entered into the system after adjusting entries were proposed.

We recommend the Clerk use the UAN system for the appropriate disbursing of checks.

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

**FINDING NUMBER 2007-010**

**Significant Deficiency/Material Weakness**

**Bank Reconciliation's**

The Clerk did not prepare accurate monthly reconciliation's of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. The lack of proper reconciliation's among the bank statements, cashbook and ledgers resulted in numerous errors, which remained undetected and/or uncorrected until the audit.

We recommend the Clerk prepare detailed bank reconciliation's that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliation's should be presented for Council's review and use in managing the Village. The Clerk should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook. Expenditures should be posted to those account codes as recorded on the Council approved vouchers

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC Section 5705.41(D) Expenditures were not properly encumbered	No	2007-001



**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 13, 2008**