

Village of Glouster
Athens County
Regular Audit
For the Years Ended December 31, 2005 and 2004
Fiscal Years Audited Under GAGAS: 2005 and 2004

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Mary Taylor, CPA

Auditor of State

Mayor and Members of Council
Village of Glouster
16 1/2 Front Street
Glouster, Ohio 45732

We have reviewed the *Independent Auditor's Report* of the Village of Glouster, Athens County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's 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 Auditor's 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

August 30, 2007

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ATHENS COUNTY
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Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Glouster
Athens County
16 ½ Front St.
Glouster, Ohio 45732

We have audited the accompanying financial statements of the Village of Glouster, Athens County, (the Village) as of and for the year ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds 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 reserves for encumbrances of the Village of Gloucester, Athens County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2005 and 2004. The Village has not presented Management's Discussion & 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 March 29, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The 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.



Balestra, Harr & Scherer, CPAs, Inc.

March 29, 2007

**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, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 59,481	\$ 88,425	\$ -	\$ 147,906
Intergovernmental	104,313	96,377	-	200,690
Charges for Services	62,136	5,000	-	67,136
Fines, Licenses, and Permits	19,290	1,813	-	21,103
Earnings on Investments	2,867	124	-	2,991
Miscellaneous	7,228	6,268	-	13,496
	<u>255,315</u>	<u>198,007</u>	<u>-</u>	<u>453,322</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons & Property	188,573	43,404	-	231,977
Public Health Service	2,106	-	-	2,106
Leisure Time Activities	-	14,812	-	14,812
Transportation	-	109,459	-	109,459
General Government	76,496	-	-	76,496
Capital Outlay	-	-	332	332
Debt Service:				
Redemption of Principal	-	15,806	-	15,806
Interest and Fiscal Charges	-	14,977	-	14,977
	<u>267,175</u>	<u>198,458</u>	<u>332</u>	<u>465,965</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(11,860)	(451)	(332)	(12,643)
Other Financing Receipts and (Disbursements):				
Transfers-In	1,468	-	-	1,468
Transfers-Out	-	(4,468)	-	(4,468)
	<u>1,468</u>	<u>(4,468)</u>	<u>-</u>	<u>(3,000)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,392)	(4,919)	(332)	(15,643)
Fund Cash Balances, January 1	<u>20,295</u>	<u>91,290</u>	<u>332</u>	<u>111,917</u>
Fund Cash Balances, December 31	<u><u>\$ 9,903</u></u>	<u><u>\$ 87,371</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 96,274</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 3,101</u></u>	<u><u>\$ 959</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,060</u></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 SIMILARY FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 1,289,637	-	\$ 1,289,637
Miscellaneous	29,630	-	29,630
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	1,319,267	-	1,319,267
Operating Cash Disbursements:			
Personal Services	168,137	-	168,137
Employee Fringe Benefits	93,390	-	93,390
Contractual Services	900,217	-	900,217
Supplies and Materials	52,271	-	52,271
Capital Outlay	7,784	-	7,784
Other	54,072	-	54,072
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	1,275,871	-	1,275,871
Operating Income/(Loss)	<hr/> 43,396	<hr/> -	<hr/> 43,396
Non-Operating Receipts/Disbursements:			
Special Assessments	16,586	-	16,586
Other Non-operating Receipts	-	28,362	28,362
Other Non-operating Disbursements	-	(26,574)	(26,574)
Redemption of Principal	(24,220)	-	(24,220)
Interest and Fiscal Charges	(692)	-	(692)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Receipts/(Disbursements)	(8,326)	1,788	(6,538)
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	35,070	1,788	36,858
Transfers - In	<hr/> 3,000	<hr/> -	<hr/> 3,000
Net Cash Receipts Over/(Under) Cash Disbursements	38,070	1,788	39,858
Fund Cash Balances, January 1	<hr/> 428,398	<hr/> 2,609	<hr/> 431,007
Fund Cash Balances, December 31	<u>\$ 466,468</u>	<u>\$ 4,397</u>	<u>\$ 470,865</u>
Reserve for Encumbrances, December 31	<hr/> <u>\$ 4,085</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 4,085</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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 56,055	\$ 79,011	\$ -	\$ 135,066
Intergovernmental	94,975	117,753	-	212,728
Charges for Services	68,210	11,000	-	79,210
Fines, Licenses, and Permits	25,117	2,440	-	27,557
Earnings on Investments	3,028	189	-	3,217
Miscellaneous	28,286	58,169	-	86,455
	<u>275,671</u>	<u>268,562</u>	<u>-</u>	<u>544,233</u>
Total Cash Receipts				
	<u>275,671</u>	<u>268,562</u>	<u>-</u>	<u>544,233</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	168,947	56,960	-	225,907
Public Health Service	1,476	-	-	1,476
Leisure Time Activities	-	14,221	-	14,221
Transportation	-	164,346	-	164,346
General Government	93,149	-	-	93,149
Capital Outlay	24,421	975	9,284	34,680
Debt Service:				
Redemption of Principal	-	20,248	-	20,248
Interest and Fiscal Charges	-	15,799	-	15,799
	<u>287,993</u>	<u>272,549</u>	<u>9,284</u>	<u>569,826</u>
Total Cash Disbursements				
	<u>287,993</u>	<u>272,549</u>	<u>9,284</u>	<u>569,826</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(12,322)	(3,987)	(9,284)	(25,593)
Other Financing Receipts and (Disbursements):				
Other Sources	-	-	9,284	9,284
	<u>-</u>	<u>-</u>	<u>9,284</u>	<u>9,284</u>
Total Other Financing Receipts/(Disbursements)				
	<u>-</u>	<u>-</u>	<u>9,284</u>	<u>9,284</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(12,322)	(3,987)	-	(16,309)
Fund Cash Balances, January 1	32,617	95,277	332	128,226
	<u>32,617</u>	<u>95,277</u>	<u>332</u>	<u>128,226</u>
Fund Cash Balances, December 31	<u>\$ 20,295</u>	<u>\$ 91,290</u>	<u>\$ 332</u>	<u>\$ 111,917</u>
Reserve for Encumbrances, December 31	<u>\$ 4,421</u>	<u>\$ 1,339</u>	<u>\$ -</u>	<u>\$ 5,760</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 SIMILARY FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	Only
Operating Cash Receipts:			
Charges for Services	\$ 1,206,182	\$ -	\$ 1,206,182
Miscellaneous	23,933	-	23,933
Total Operating Cash Receipts	1,230,115	-	1,230,115
Operating cash disbursements			
Personal services	153,244	-	153,244
Fringe benefits	68,715	-	68,715
Contractual services	833,643	-	833,643
Supplies and Materials	40,893	-	40,893
Other	56,085	-	56,085
Capital outlay	49,661	-	49,661
Total Operating Cash Disbursements	1,202,241	-	1,202,241
Operating Income/(Loss)	27,874	-	27,874
Non-Operating Cash Receipts/Disbursements			
Intergovernmental	3,006	-	3,006
Special Assessments	12,946	-	12,946
Other Non-operating Receipts	-	31,801	31,801
Other Non-operating Disbursements	-	(34,102)	(34,102)
Proceeds of Notes	31,934	-	31,934
Redemption of Principal	(47,448)	-	(47,534)
Interest and Fiscal Charges	(2,504)	-	(2,418)
Total Non-Operating Cash Receipts (Disbursement)	(2,066)	(2,301)	(4,367)
Net Cash Receipts Over/(Under) Cash Disbursements	25,808	(2,301)	23,507
Fund Cash Balances, January 1	402,590	4,910	407,500
Fund Cash Balances, December 31	\$ 428,398	\$ 2,609	\$ 431,007
Reserve for Encumbrances, December 31	\$ 5,312	\$ -	\$ 5,312

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, 2005 and 2004

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 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

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. U.S. Savings Bonds are carried at face value when donated.

D. Fund Accounting

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

1. General Fund:

The General Fund 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 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:

**VILLAGE OF GLOUSTER
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued) :

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

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 fund:

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 Funds (Trust and Agency Funds)

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 Agency Fund received 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

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 fund, function and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments as required by Ohio law. The Village plans to properly encumber all commitments through utilization of purchase orders in the future.

A summary of 2005 and 2004 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 and investments at December 31 was as follows:

	2005	2004
Demand deposits	\$447,139	\$422,924
Certificates of Deposit	120,000	120,000
Total Deposits	\$567,139	\$542,924

**VILLAGE OF GLOUSTER
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

2. EQUITY IN POOLED CASH (Continued)

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$254,187	\$256,783	\$2,596
Special Revenue	204,052	198,007	(6,045)
Capital Projects	0	0	0
Enterprise	1,325,216	1,338,853	13,637
Total	<u>\$1,783,455</u>	<u>\$1,793,643</u>	<u>\$10,188</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$267,500	\$270,276	(\$2,776)
Special Revenue	267,500	203,885	63,615
Capital Projects	332	332	0
Enterprise	1,389,500	1,304,868	84,632
Total	<u>\$1,924,832</u>	<u>\$1,779,361</u>	<u>\$145,471</u>

**VILLAGE OF GLOUSTER
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$264,462	\$275,671	\$11,209
Special Revenue	265,474	268,562	3,088
Capital Projects	9,284	9,284	0
Enterprise	1,185,240	1,278,001	92,761
Total	<u>\$1,724,460</u>	<u>\$1,831,518</u>	<u>\$107,058</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$290,805	\$292,414	(\$1,609)
Special Revenue	326,545	273,888	52,657
Capital Projects	9,616	9,284	332
Enterprise	1,406,500	1,257,505	148,995
Total	<u>\$2,033,466</u>	<u>\$1,833,091</u>	<u>\$200,375</u>

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 payment, 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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest
Fire Department Truck Loan	\$134,060	4.63%
Street Department Building Loan	162,011	5.71%
Total	\$296,071	

Amortization of the above debt, including interest, follows:

Year Ending December 31	Fire Department Truck Loan	Street Department Building Loan
2006	\$145,799	\$16,907
2007		16,907
2008		16,907
2009		16,907
2010		16,907
2011-2015		84,535
2016-2020		84,535
2021-2023		50,721
	\$145,799	\$304,326

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 \$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.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, members of OP&F contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF GLOUSTER
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments (“Members”).

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 of better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays 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.

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

Plan member 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 obligation to the Plan. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members’ Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the plan’s website, www.ohioplan.org.

The Township also provides health insurance to Village 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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

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 2004, the Village paid the District \$1,516 for sewer services. During 2005, the Village paid the District \$1,762 for sewer services.

10. FUND BALANCE RESTATEMENTS

During fiscal year 2004 old outstanding checks were voided and deleted from the Village’s bank reconciliation. This resulted in the following fund balance restatement:

	General Fund	Special Revenue
Balance 12/31/03	\$31,965	\$94,523
Adjustments	652	754
Balance 1/1/04	\$32,617	\$95,277

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Ohio Society of Certified Public Accountants

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the Village of Glouster, Athens County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 29, 2007 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Responses as item 2005-001.

We noted certain matters that we reported to the management of the Village in a separate letter dated March 29, 2007

Village of Gloucester

Athens County

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit
of Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

This report is intended solely for the information and use of the audit committee, 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 29, 2007

**VILLAGE OF GLOUSTER
ATHENS COUNTY
DECEMBER 31, 2005 AND 2004**

SCHEDULE OF FINDINGS AND RESPONSES

FINDING NUMBER 2005-001

Noncompliance Citation

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

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$3,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Funds were not properly certified for ninety three percent (93) of the transactions tested in 2004 and eighty six percent (86) of the transactions tested in 2005, and neither of the above exceptions were met.

The Village should obtain the prior certification of the Village fiscal officer before an obligation is incurred.

Client Response:

In the future all purchases will be made through a purchase order with authorized signatures form Council or the Board of Public Affairs.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Finding for recovery: Mayor's court Clerk and Mayor	Yes	
2003-002	Material Citation - ORC 5705.41(D) Then and Now Certificate	No	Not corrected will reissue as finding 2005-001
2002-003	Material Citation - ORC 9.38 Deposit of public monies in a timely manner	Yes	
2002-004	Material Citation - ORC 1905.21 Incomplete posting of docket to Mayor's Court	Yes	
2003-005	Material Citation - ORC 5705.41 (B) Expenditures exceeded appropriations	No	Partially corrected Management letter Citation



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
SEPTEMBER 13, 2007**