

**VILLAGE OF GLOUSTER
ATHENS COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Glouster
16 1/2 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, 2010 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 21, 2012

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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, 2011.....	3
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, 2011.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
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, 2010.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	18
Schedule of Audit Findings	20
Schedule of Prior Audit Findings	24

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INDEPENDENT ACCOUNTANTS' REPORT

June 27, 2012

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, 2011 and 2010. 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 requirements. The Auditor of State permits, but does not require governments 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, 2011 and 2010 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, 2011 and 2010 or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Glouster, Athens County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 10 to the financial statements, the Village has suffered recurring net losses and has a deficit in the General Fund of \$11,150, in the Police Levy Fund of \$4,843 and in the Street Levy Fund of \$38,562 at December 31, 2011. This condition raises substantial doubt about the Village's ability to continue as a going concern. Management does have a long-term plan for reducing the fund deficit.

As described in Note 1F, during 2011 the Village of Glouster adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, 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,



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, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 109,632	\$ 114,099	\$ 223,731
Intergovernmental	212,414	69,143	281,557
Charges for Services	-	5,000	5,000
Fines, Licenses and Permits	24,533	5,185	29,718
Earnings on Investments	1,733	-	1,733
Miscellaneous	39,998	8,931	48,929
	<u>388,310</u>	<u>202,358</u>	<u>590,668</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	168,958	79,099	248,057
Leisure Time Activities	-	13,127	13,127
Transportation	-	101,587	101,587
General Government	54,760	-	54,760
Debt Service:			
Principal Retirement	5,000	29,916	34,916
Interest and Fiscal Charges	643	13,704	14,347
	<u>229,361</u>	<u>237,433</u>	<u>466,794</u>
Total Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements	<u>158,949</u>	<u>(35,075)</u>	<u>123,874</u>
Fund Cash Balances, January 1	<u>(170,099)</u>	<u>42,033</u>	<u>(128,066)</u>
Fund Cash Balances, December 31			
Restricted	-	50,363	50,363
Unassigned (Deficit)	<u>(11,150)</u>	<u>(43,405)</u>	<u>(54,555)</u>
Fund Cash Balances, December 31	<u><u>\$ (11,150)</u></u>	<u><u>\$ 6,958</u></u>	<u><u>\$ (4,192)</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency Fund	
Operating Cash Receipts:			
Charges for Services	\$1,531,279	\$ -	\$ 1,531,279
Total Operating Receipts	1,531,279	-	1,531,279
Operating Cash Disbursements:			
Personal Services	151,983	-	151,983
Employee Fringe Benefits	145,202	-	145,202
Contractual Services	1,219,173	-	1,219,173
Supplies and Materials	157,342	-	157,342
Other	140,552	-	140,552
Total Operating Cash Disbursements	1,814,252	-	1,814,252
Operating Income (Loss)	(282,973)	-	(282,973)
Non-Operating Cash Receipts/(Disbursements):			
Special Assessments	19,358	-	19,358
Miscellaneous	110,380	-	110,380
Capital Outlay	(29,110)	-	(29,110)
Other Non-Operating Receipts	-	6,682	6,682
Other Non-Operating Disbursements	-	(6,228)	(6,228)
Total Non-Operating Cash Receipts/(Disbursements)	100,628	454	101,082
Net Change in Fund Cash Balances	(182,345)	454	(181,891)
Fund Cash Balances, January 1	450,083	1,962	452,045
Fund Cash Balances, December 31	\$ 267,738	\$ 2,416	\$ 270,154

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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 47,927	\$ 74,939	\$ 122,866
Intergovernmental	100,754	55,110	155,864
Charges for Services	-	5,000	5,000
Fines, Licenses and Permits	31,586	2,280	33,866
Earnings on Investments	2,022	2	2,024
Miscellaneous	12,850	17,089	29,939
Total Cash Receipts	<u>195,139</u>	<u>154,420</u>	<u>349,559</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	218,817	23,485	242,302
Leisure Time Activities	-	11,258	11,258
Transportation	-	104,512	104,512
General Government	55,292	-	55,292
Debt Service:			
Principal Retirement	-	9,892	9,892
Interest and Fiscal Charges	1,042	14,956	15,998
Total Cash Disbursements	<u>275,151</u>	<u>164,103</u>	<u>439,254</u>
Excess of Receipts (Under) Disbursements	<u>(80,012)</u>	<u>(9,683)</u>	<u>(89,695)</u>
Other Financing Receipts:			
Sale of Fixed Assets	-	4,003	4,003
Total Other Financing Receipts	<u>-</u>	<u>4,003</u>	<u>4,003</u>
Net Change in Fund Cash Balances	(80,012)	(5,680)	(85,692)
Fund Cash Balances, January 1	<u>(90,087)</u>	<u>47,713</u>	<u>(42,374)</u>
Fund Cash Balances, December 31	<u>\$ (170,099)</u>	<u>\$ 42,033</u>	<u>\$ (128,066)</u>
Reserve for Encumbrances, December 31	<u>\$ 159,307</u>	<u>\$ 62,945</u>	<u>\$ 222,252</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, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,645,500	\$ -	\$ 1,645,500
Total Operating Receipts	<u>1,645,500</u>	<u>-</u>	<u>\$ 1,645,500</u>
Operating Cash Disbursements:			
Personal Services	155,160	-	155,160
Employee Fringe Benefits	114,289	-	114,289
Contractual Services	1,091,008	-	1,091,008
Supplies and Materials	61,906	-	61,906
Other	20,679	-	20,679
Total Operating Cash Disbursements	<u>1,443,042</u>	<u>-</u>	<u>1,443,042</u>
Operating Income (Loss)	<u>202,458</u>	<u>-</u>	<u>202,458</u>
Non-Operating Cash Receipts/(Disbursements):			
Special Assessments	20,765	-	20,765
Miscellaneous	27,167	-	27,167
Other Non-Operating Receipts	-	6,656	6,656
Other Non-Operating Disbursements	<u>-</u>	<u>(12,825)</u>	<u>(12,825)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>47,932</u>	<u>(6,169)</u>	<u>41,763</u>
Net Change in Fund Cash Balances	250,390	(6,169)	244,221
Fund Cash Balances, January 1	<u>199,693</u>	<u>8,131</u>	<u>207,824</u>
Fund Cash Balances, December 31	<u>\$ 450,083</u>	<u>\$ 1,962</u>	<u>\$ 452,045</u>
Reserve for Encumbrances, December 31	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Glouster, Athens County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides police services, fire protection services, maintenance of Village streets and highways, water and electric utility services and park operations (leisure time activities).

The Village participates in the Trimble Township Wastewater District. Note 8 to the financial statements provides additional information for this entity.

Jointly Governed Organizations:

The Trimble Township Wastewater District is a regional sewer district which operates under the direction of an eight member Board of Trustees.

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

B. Accounting Basis

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests all available funds in an interest-bearing checking account and certificates of deposit.

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 receives gasoline tax and motor vehicle tax monies for constructing, maintaining and repairing Village streets.

Fire Department Fund - This fund receives tax money for fire protection.

Street Levy Fund - This fund receives tax money 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 to recover the significant costs of providing certain goods or services 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)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(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. 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 individual 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 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$ 169,462	\$ 213,979
Certificates of deposit	96,500	110,000
Total deposits	\$ 265,962	\$ 323,979

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 263,905	\$ 388,130	\$ 124,225
Special Revenue	385,749	202,358	(183,391)
Enterprise	1,740,900	1,661,017	(79,883)
Total	\$ 2,390,554	\$ 2,251,505	\$ (139,049)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 256,112	\$ 229,361	\$ 26,751
Special Revenue	462,363	237,433	224,930
Enterprise	2,010,327	1,843,362	166,965
Total	\$ 2,728,802	\$ 2,310,156	\$ 418,646

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 290,000	\$ 195,139	\$ (94,861)
Special Revenue	160,100	158,423	(1,677)
Enterprise	1,472,500	1,693,432	220,932
Total	\$ 1,922,600	\$ 2,046,994	\$ 124,394

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 343,538	\$ 434,458	\$ (90,920)
Special Revenue	219,814	227,048	(7,234)
Enterprise	1,713,582	1,663,042	50,540
Total	\$ 2,276,934	\$ 2,324,548	\$ (47,614)

Contrary to Ohio law, appropriation authority exceeded total estimated receipts in the General Fund for the year ended December 31, 2011 and the General and Electric Operating Funds for the year ended December 31, 2010. Also contrary to Ohio law, estimated receipts exceeded actual receipts in the COPS Grant Fund for the year ended December 31, 2011 and the General Fund for the year ended December 31, 2010.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Fire Truck Loan	\$ 56,649	4.99%
Street Building Loan	149,020	6.00%
Police Car Loan	9,720	4.99%
Total	\$ 215,389	

The Fire 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 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 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 Truck Loan	Street Building Loan	Police Car Loan	Total
2012	\$ 59,476	\$ 157,961	\$ 9,890	\$ 227,327
Total	\$ 59,476	\$ 157,961	\$ 9,890	\$ 227,327

5. PROPERTY TAX

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

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

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
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

6. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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, 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

8. JOINTLY GOVERNED ORGANIZATION

The Trimble Township Waste Water Treatment District, Athens County, Ohio (the District), is a regional sewer district organized under Ohio Revised Code Chapter 6119, by the Athens County Common Pleas Court on October 3, 1986. 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. The membership elects a President, Vice-President and a Secretary-Treasurer, who are responsible for fiscal control of the financial resources of the District.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

8. JOINTLY GOVERNED ORGANIZATION (Continued)

The District was established to provide a modern, efficient, and effective wastewater treatment system to promote the general health and safety of the citizens of the District and to make economic development in the area more feasible. The District services all or parts of the following political subdivisions:

- Village of Trimble
- Village of Jacksonville
- Village of Glouster
- Trimble Township

During 2011, the Village of Glouster paid the District \$2,321 for sewer services. During 2010, the Village paid the District \$2,308 for sewer services.

9. ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio Revised Code Section 5705.10, the Village had the following negative cash balances at December 31, 2011 and December 31, 2010 in the following funds:

	2011 Deficit
General Fund	\$ (11,150)
Police Levy Fund	\$ (4,843)
Street Levy Fund	\$ (38,562)

	2010 Deficit
General Fund	\$ (170,099)
Street Fund	\$ (769)
State Highway Fund	\$ (382)
Street Levy Fund	\$ (6,906)

The deficit balances are in part due to a deficit cash fund balance and failure to adequately fund these programs. The Village established a plan in 2010 to address the deficit and have taken the appropriate steps to correct the deficit.

10. GOING CONCERN

The Village expenses have exceeded revenues for the years 2009, 2010, and 2011. As a result, the certain funds have had significant deficits at the end of 2011 and 2010.

While the Village is in a positive cash balance position, the majority of the cash is in the Special Revenue and Enterprise Funds. The use of these funds is limited either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balances.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

10. GOING CONCERN (Continued)

The Village established a plan in 2010 to address the deficit and have taken the appropriate steps to correct the deficit, as can be seen from the numbers presented in Note 9.

The Auditor of State has various remedies available to it, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken.

The accompanying financial statements do not include any adjustments that might be necessary if the Village is unable to continue as a going concern.

11. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village of Glouster is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key-fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS Project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contract with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating system will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS Project participants to establish a formal plan for the recovery on a participant by participant basis.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

11. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (Continued)

AMP has consistently communicated with the AMPGS participants as to the risk and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded costs liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees begin incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on allocation to Glouster of 600 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Glouster has a potential stranded cost obligation of \$97,196 for the AMPGS Project. The Village of Glouster does not have any payments on deposit with AMP at December 31, 2011.

The Village of Glouster is not a participant in the AMP Fremont Energy Center.

The Village plans to incorporate the potential stranded outstanding liability into its monthly power cost invoices during 2013 and 2014, and will be recovering it directly from its customers through the Village's power cost adjustment.

Had the Village chosen to expense the potential stranded costs, the Village believes it would not have met its covenant obligations for its Electric Fund.

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

June 27, 2012

Village of Glouster
Athens County
16 ½ Front Street
Glouster, Ohio 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, 2011 and 2010, and have issued our report thereon dated June 27, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. 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*. We also noted the Village's General, Police Levy and Street Levy Funds had deficit cash fund balances as of December 31, 2011. Management does a have a long-term plan in place to reduce the deficit.

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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-005 described in the accompanying schedule of audit findings to be material weaknesses.

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 audit findings as items 2011-001 and 2011-005.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2012.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

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**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness/Non-Compliance

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 negative fund balances at December 31, 2011 as follows:

<u>Fund</u>	<u>Deficit</u>
General Fund	(\$11,150)
Police Levy Fund	(\$4,483)
Street Levy Fund	(\$38,562)

The Village had negative fund balances at December 31, 2010 as follows:

<u>Fund</u>	<u>Deficit</u>
General Fund	(\$170,099)
Street Fund	(\$769)
State Highway Fund	(\$382)
Street Levy Fund	(\$6,906)

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Fiscal Officer to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

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 2011-002

Material Weakness

Calculation of Electric Rates

As part of Electric charges for services the Village assesses a power cost adjustment. This adjustment is calculated using the actual cost of power purchased and dividing that amount by the total number of kilowatt hours used during each month. The amount charged to the customer is based on the rolling three month average of the preceding calculation.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-002 (Continued)

The Village calculated this amount incorrectly during the year ended December 31, 2011 resulting in a substantial loss of revenue.

We recommend the Village ensure the proper amounts are being used when calculating charges to customers. Calculations should be reviewed by management on a regular basis to ensure the accuracy and consistency of charges to customers. We also recommend the Village explore the necessary steps to collect the lost revenues. We also recommend the Village consult with their legal counsel regarding this issue.

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

FINDING NUMBER 2011-003

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. There were significant numbers of reconciling items that were not identified. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Village to obtain from the Auditor of State's office detailed proofs of cash for each month and a reconstruction of the cash book for the entire audit period.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

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

FINDING NUMBER 2011-004

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- Intergovernmental receipts were misclassified as Property and Local Taxes in both 2011 and 2010.
- Property and Local Taxes receipts were misclassified in 2010.
- Mayor's Court activity was not properly recorded in the Agency Fund.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-004 (Continued)

This resulted in reclassification entries being made to the Village's financial statements. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

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

FINDING NUMBER 2011-005

Material Weakness

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.36 relating to certification of estimated resources and beginning balances;
- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village 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. 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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-005 (Continued)

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations. Council also has not assured that the accounting system is adequate to incorporate budgetary requirements.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Council does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC 5705.10 – Negative fund balances	No	Repeated as 2011-001
2009-002	ORC 733.40 – Mayor’s court collection	Yes	N/A
2009-003	ORC 9.39 – Outstanding checks	No	Partially Corrected, Moved to Management Letter
2009-004	ORC 5705.41(B)	No	Repeated as 2011-005
2009-005	ORC 5705.41(D)	No	Repeated as 2011-005
2009-006	Posting of Receipts and Disbursements	No	Repeated as 2011-004
2009-007	Bank Reconciliations	No	Repeated as 2011-003



Dave Yost • 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 4, 2012