



Dave Yost • Auditor of State

VILLAGE OF GLOUSTER
ATHENS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Glouster, Athens County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof, for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Glouster, Athens County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 8, 2014

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------------|-------------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$56,922 | \$108,674 | \$165,596 |
| Intergovernmental | 75,809 | 165,995 | 241,804 |
| Charges for Services | 35,282 | 6,000 | 41,282 |
| Fines, Licenses and Permits | 21,702 | 1,780 | 23,482 |
| Earnings on Investments | 224 | | 224 |
| Miscellaneous | 10,208 | 12,381 | 22,589 |
| <i>Total Cash Receipts</i> | <u>200,147</u> | <u>294,830</u> | <u>494,977</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 94,659 | 53,815 | 148,474 |
| Leisure Time Activities | 45 | 13,349 | 13,394 |
| Transportation | | 135,433 | 135,433 |
| General Government | 53,593 | | 53,593 |
| Principal Retirement | 37,975 | 19,477 | 57,452 |
| Interest and Fiscal Charges | | 10,946 | 10,946 |
| <i>Total Cash Disbursements</i> | <u>186,272</u> | <u>233,020</u> | <u>419,292</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>13,875</u> | <u>61,810</u> | <u>75,685</u> |
| Other Financing Receipts (Disbursements) | | | |
| Other Debt Proceeds | 37,975 | | 37,975 |
| Transfers In | 1,484 | 38,626 | 40,110 |
| Transfers Out | (32,285) | (24,211) | (56,496) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>7,174</u> | <u>14,415</u> | <u>21,589</u> |
| <i>Net Change in Fund Cash Balances</i> | 21,049 | 76,225 | 97,274 |
| <i>Fund Cash Balances, January 1</i> | <u>34,736</u> | <u>89,906</u> | <u>124,642</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 166,131 | 166,131 |
| Unassigned (Deficit) | <u>55,785</u> | | <u>55,785</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$55,785</u></u> | <u><u>\$166,131</u></u> | <u><u>\$221,916</u></u> |

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|---|--------------------------|------------------------|-------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$1,774,555 | | \$1,774,555 |
| Fines, Licenses and Permits | | \$30,976 | 30,976 |
| <i>Total Operating Cash Receipts</i> | <u>1,774,555</u> | <u>\$30,976</u> | <u>1,805,531</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 169,532 | | 169,532 |
| Employee Fringe Benefits | 109,930 | | 109,930 |
| Contractual Services | 1,130,827 | | 1,130,827 |
| Supplies and Materials | 68,018 | | 68,018 |
| Other | 61,068 | 30,976 | 92,044 |
| <i>Total Operating Cash Disbursements</i> | <u>1,539,375</u> | <u>30,976</u> | <u>1,570,351</u> |
| <i>Operating Income (Loss)</i> | <u>235,180</u> | <u>0</u> | <u>235,180</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Special Assessments | 19,575 | | 19,575 |
| Miscellaneous Receipts | 12,096 | | 12,096 |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>31,671</u> | <u>0</u> | <u>31,671</u> |
| <i>Excess Receipts Over/(Under) Disbursements</i> | <u>266,851</u> | <u>0</u> | <u>266,851</u> |
| Transfers In | 16,386 | | 16,386 |
| <i>Net Change in Fund Cash Balances</i> | 283,237 | 0 | 283,237 |
| <i>Fund Cash Balances, January 1</i> | <u>296,576</u> | <u>1,213</u> | <u>297,789</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$579,813</u></u> | <u><u>\$1,213</u></u> | <u><u>\$581,026</u></u> |

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------------|------------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$60,517 | \$107,422 | \$167,939 |
| Intergovernmental | 81,508 | 276,566 | 358,074 |
| Charges for Services | 35,363 | 6,000 | 41,363 |
| Fines, Licenses and Permits | 25,030 | 2,889 | 27,919 |
| Earnings on Investments | 433 | | 433 |
| Miscellaneous | 6,167 | 8,292 | 14,459 |
| <i>Total Cash Receipts</i> | <u>209,018</u> | <u>401,169</u> | <u>610,187</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 115,500 | 77,646 | 193,146 |
| Leisure Time Activities | | 16,830 | 16,830 |
| Transportation | | 187,907 | 187,907 |
| General Government | 58,227 | | 58,227 |
| Principal Retirement | 9,657 | 65,802 | 75,459 |
| Interest and Fiscal Charges | 173 | 12,018 | 12,191 |
| <i>Total Cash Disbursements</i> | <u>183,557</u> | <u>360,203</u> | <u>543,760</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>25,461</u> | <u>40,966</u> | <u>66,427</u> |
| Other Financing Receipts (Disbursements) | | | |
| Debt Proceeds | | 46,659 | 46,659 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>46,659</u> | <u>46,659</u> |
| Special Item | 600 | | 600 |
| <i>Net Change in Fund Cash Balances</i> | 26,061 | 87,625 | 113,686 |
| <i>Fund Cash Balances, January 1, as restated</i> | <u>8,675</u> | <u>2,281</u> | <u>10,956</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 99,713 | 99,713 |
| Assigned | 34,736 | | 34,736 |
| Unassigned (Deficit) | | (9,807) | (9,807) |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$34,736</u></u> | <u><u>\$89,906</u></u> | <u><u>\$124,642</u></u> |

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|---|--------------------------|------------------------|-------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$1,660,626 | | \$1,660,626 |
| Fines, Licenses and Permits | | \$33,203 | \$33,203 |
| Miscellaneous | | 1,213 | 1,213 |
| <i>Total Operating Cash Receipts</i> | <u>1,660,626</u> | <u>\$34,416</u> | <u>1,695,042</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 163,280 | | 163,280 |
| Employee Fringe Benefits | 143,462 | | 143,462 |
| Contractual Services | 1,195,854 | | 1,195,854 |
| Supplies and Materials | 76,162 | | 76,162 |
| Other | 51,953 | 33,203 | 85,156 |
| <i>Total Operating Cash Disbursements</i> | <u>1,630,711</u> | <u>33,203</u> | <u>1,663,914</u> |
| <i>Operating Income (Loss)</i> | <u>29,915</u> | <u>1,213</u> | <u>31,128</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Special Assessments | 19,400 | | 19,400 |
| Miscellaneous Receipts | 13,131 | | 13,131 |
| Capital Outlay | (33,597) | | (33,597) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(1,066)</u> | <u>0</u> | <u>(1,066)</u> |
| <i>Excess Receipts Over/(Under) Disbursements</i> | <u>28,849</u> | <u>1,213</u> | <u>30,062</u> |
| <i>Fund Cash Balances, January 1, as restated</i> | <u>267,727</u> | <u>0</u> | <u>267,727</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$296,576</u></u> | <u><u>\$1,213</u></u> | <u><u>\$297,789</u></u> |

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and electric utilities, fire protection services, maintenance of Village streets and highways, park operations, and police services.

The Village participates in a jointly governed organization. Note 9 to the financial statements provides additional information for this entity. This organization is:

Jointly Governed Organization:

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

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Fire Levy Fund – This fund receives tax levy money for provision of fire protection services.

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 water service costs.

Electric Operating Fund - This fund receives charges for services from residents to cover electric utility service costs..

4. Fiduciary Funds

Fiduciary funds include agency funds. 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 funds account for Unclaimed Funds and Mayor's Court activity.

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 level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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.

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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

| | 2013 | 2012 |
|-------------------------|-----------|-----------|
| Demand deposits | \$692,942 | \$312,431 |
| Certificates of deposit | 110,000 | 110,000 |
| Total deposits | \$802,942 | \$422,431 |

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

| 2013 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$245,000 | \$238,122 | (\$6,878) |
| Special Revenue | 173,300 | 294,830 | 121,530 |
| Enterprise | 1,710,193 | 1,806,226 | 96,033 |
| Total | \$2,128,493 | \$2,339,178 | \$210,685 |

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$172,725 | \$186,272 | (\$13,547) |
| Special Revenue | 190,959 | 233,020 | (42,061) |
| Enterprise | 1,715,612 | 1,539,375 | 176,237 |
| Total | <u>\$2,079,296</u> | <u>\$1,958,667</u> | <u>\$120,629</u> |

| 2012 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$300,000 | \$209,618 | (\$90,382) |
| Special Revenue | 285,739 | 447,828 | 162,089 |
| Enterprise | 1,370,500 | 1,693,157 | 322,657 |
| Total | <u>\$1,956,239</u> | <u>\$2,350,603</u> | <u>\$394,364</u> |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$288,849 | \$183,557 | \$105,292 |
| Special Revenue | 294,259 | 360,203 | (65,944) |
| Enterprise | 1,545,238 | 1,664,308 | (119,070) |
| Total | <u>\$2,128,346</u> | <u>\$2,208,068</u> | <u>(\$79,722)</u> |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in Special Revenue Funds by \$65,944 and in Enterprise Funds by \$119,070 in 2012. In 2013, expenditures exceeded appropriations in the General Fund by \$13,547, Special Revenue Funds by \$42,061, and Guaranteed Deposit Fund by \$9,838. Also contrary to Ohio law, at December 31, 2012, the Street Levy Fund had a cash deficit balance of \$22,589.

4. Property Tax

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

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, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

| | Principal | Interest Rate |
|---------------------------------|-----------|---------------|
| Street Department Building Loan | \$129,133 | 5.38% |
| Fire Truck Loan | \$36,064 | 4.30% |
| Total | \$165,197 | |

The Street Department Building Loan relates to the construction of a street department building in 2003. The original cost to construct the building was \$280,300. The original amount of the loan was \$200,000 with the balance of the construction costs paid from an insurance settlement received by the Village when the Village's garage was destroyed by fire in 2002. The full faith and credit of the Village has been pledged to repay this debt.

The Fire Truck Loan relates to the refinance of a previously existing loan on a Pierce Manufacturing Pumper Truck in 2002. The Fire Truck is held as collateral for the loan.

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

| | Street Department Building Loan | Fire Truck Loan |
|--------------------------|---------------------------------------|--------------------|
| Year ending December 31: | | |
| 2014 | \$16,373 | \$10,000 |
| 2015 | 16,373 | 10,000 |
| 2016 | 16,373 | 10,000 |
| 2017 | 16,373 | 8,003 |
| 2018 | 16,373 | |
| 2019-2023 | 81,865 | |
| Total | \$163,730 | \$38,003 |

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 2013 and 2012, OP&F participants contributed 10.75% and 10% of their wages, respectively. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 equity at December 31, 2012 and 2013.

| | <u>2012</u> | <u>2013</u> |
|-----------------|--------------------|--------------------|
| Assets | \$13,100,381 | \$13,774,304 |
| Liabilities | (6,687,193) | (7,968,395) |
| Members' Equity | <u>\$6,413,188</u> | <u>\$5,805,909</u> |

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

8. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Jointly Governed Organizations

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. 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 2013, the Village of Glouster paid the District \$2,291 for sewer services. During 2012, the Village paid the District \$2,711 for sewer services.

10. American Municipal Power Generating Station Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 600 kilowatts of a total 666,679 kilowatts, giving the Village a .09 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$104,801. The Village received a credit of \$27,135 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$77,666. The Village will begin making payments in 2015. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

11. RESTATEMENT OF FUND BALANCES

The beginning of the year fund balances have been restated due to the discovery of errors in the prior year ending balance. The corrections were made due to reconciling issues identified.

The error resulted in the following restatements:

| Fund | 12/31/2011 Audited Balance | Corrections Identified | 01/01/2012 Balance, as restated |
|--|---|-----------------------------------|--|
| General Fund | (\$11,150) | (\$19,825) | \$8,675 |
| Street Construction, Maintenance and Repair | 4,946 | 14,944 | 19,890 |
| State Highway | 1,014 | 264 | 1,278 |
| Parks and Recreation | 18,857 | 703 | 19,560 |
| Fire Department | 6,960 | 2,039 | 8,999 |
| Street Levy | (38,562) | 7,334 | (31,228) |
| COPS Grant | 15 | (72) | (57) |
| Water Operating | 61,349 | (161) | 61,188 |
| Electric Operating | 149,767 | 150 | 149,917 |
| Mayor's Court | 2,416 | (2,416) | - |

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Glouster, Athens County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2013-001, 2013-005 and 2013-006 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-007 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-006.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

December 8, 2014

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund is established.

During the audit period, we noted the following cost allocations against the Electric and Water funds:

- Village Ordinance #1002, enacted in 1993, provided that the General Fund be paid rent for the office space used by the Glouster Electric and Water Departments at \$3,000 per month citing the costs and expenses related to the maintenance and upkeep of the Village Municipal Building as the basis for the amount. Rent is credited to the General Fund.

Although the Village had approved the rent at \$3,000 per month, it was not reasonable based on actual General Fund expenditures relating to the Municipal Building. After deducting General Fund expenditures specifically associated with the police department as well as those relating to salaries, benefits, debt, interfund activity, only \$14,795 and \$14,189 in General Fund expenditures remained for 2013 and 2012, respectively. However, the General Fund collected \$33,000 and \$32,000 in rent from the Electric and Water Funds in 2013 and 2012, respectively, indicating that the utility revenues were used to fund governmental activities.

- Village Ordinance #891, enacted in 1986, provided that one half of both the Mayor's salary and benefits and the Treasurer's salary and benefits be allocated to the Electric Fund.
 - Because the Mayor is the chief executive officer of the Village, the Mayor is statutorily responsible for overseeing the government-wide operations of the Village, which is normally a function of the Village's General Fund. Additionally, the Board of Public Affairs is responsible for the management and control of the electric and water utilities per Ohio Rev. Code § 735.29. As such, the Mayor should have little, if any, involvement to justify such allocation.
 - The Village General Fund was reimbursed \$7,520.70 and \$8,204.40 for administrative fees relating to the salaries and benefits of the Mayor and Fiscal Officer in 2013 and 2012, respectively. However, the allocation was miscalculated since half of the actual salaries and benefits attributable to these reimbursements totaled \$6,353 and \$6,926 for 2013 and 2012, respectively. Additionally, 50% of the reimbursement was paid by the Water Fund which is contrary to the Village Ordinance.

As a result, Accounting and Legal Fee expenditures reported in the Water Fund were overstated and those expenditures in the Electric Fund were understated by \$3,760.35 and \$4,102.20 for 2013 and 2012, respectively. Also, General Fund Other Receipts and the Electric Fund Accounting and Legal Fee expenditures were overstated by \$1,167.70 and \$1,277.52 for 2013 and 2012, respectively.

We recommend the Village contract with a consultant to assist in establishing a reasonable methodology for calculating rent and allocating General Fund salaries to the utility funds. If the Village doesn't establish a reasonable method for this allocation, findings for adjustment may be issued in future audits.

Official's Response: The Village Council does not agree with the adjustments for the administrative fees and feels that the rent is acceptable for the water and electric department.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-002

Noncompliance

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

At December 31, 2012, there was a negative balance of \$22,589 in the Street Levy Fund. Negative cash fund balances are an indication that receipts from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future disbursements in excess of available resources.

We recommend, in those cases where additional funds are required, the resources should be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Official's Response: The Street Levy Fund has had no expenditures since the early part of 2012. We laid off our Street Department worker and have not expended any money from this fund trying to get it back into the black.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making expenditure unless it has been appropriated.

The Village's expenditures exceeded formally-adopted appropriations as of December 31, 2013 as follows;

| Fund | Amount by which Expenditures exceeded Appropriations |
|---|--|
| General Fund | \$13,547 |
| Street Construction, Maintenance and Repair | 77,074 |
| Fire Levy | 978 |
| Guaranteed Deposit | 9,838 |

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2013-003 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)

The Village's expenditures exceeded formally-adopted appropriations as of December 31, 2012 as follows;

| Fund | Amount by which Expenditures exceeded Appropriations |
|---|--|
| Street Construction, Maintenance and Repair | \$4,794 |
| COPS Grant | 15,092 |
| Permissive Motor Vehicle License Tax | 7,039 |
| Police Levy | 10,826 |
| Fire Levy | 42,932 |
| Street Levy | 2,833 |
| Electric Operating | 175,252 |
| Guaranteed Deposit | 11,986 |

Expending more than budgeted can result in deficit fund balances if the resources are not sufficient to cover the excess. Additionally, the excess indicates expenditures were made absent of any legal appropriation authority.

We recommend the Village monitor appropriations and expenditures to ensure expenditures do not exceed appropriations.

Official's Response: An amended certificate was filed in 2013 trying to correct this problem. Appropriations are being closely monitored.

Auditor's Reaction: The excesses listed above were calculated based only on those appropriations that were either supported by measures filed with the County Auditor and/or documented as approved by Council either in the minutes or through Ordinance.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2013-004 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in § 5705.41(D)(1) and § 5705.41(D)(3), respectively, of the Ohio Revised Code.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in § 5705.41(D)(1) and § 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal Officer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-eight percent of transactions tested in 2013 and eighty-six percent of transactions tested in 2012 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Official’s Response: We are doing a better job of internal control for audit 2014-2015.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2013-005

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

For the period ending December 31, 2012, the following posting errors were noted:

General Fund:

- Misposting of "Cents per Gallon" to this fund incorrectly resulted in a decrease in Tax Receipts of \$6,526.
- Misposting of Gasoline Tax to the General Fund resulted in a decrease in Intergovernmental Receipts of \$3,267.
- Misposting of "34% District Registration" to the General Fund resulted in a decrease in Intergovernmental Receipts of \$12,957.
- Misposting of Homestead and Rollback receipts as Taxes rather than as Intergovernmental Receipts resulted in a decrease in Taxes of \$18,152 and an increase in Intergovernmental Receipts of \$18,152.
- Misposting of grant monies from the Ohio Department of Justice to the General Fund rather than the COPS Grant Fund resulted in a decrease in Intergovernmental Receipts of \$10,414.
- The General Fund was reimbursed by the Electric Fund for a portion of the Mayor's salary at an amount more than what Village Ordinance #891 allowed. As a result, Charges for Services of the General Fund decreased \$1,278.
- Ordinance #1002 provided that the Electric and Water Department would pay rent of \$3,000 to the General Fund monthly to defray the cost of maintenance and upkeep of the Municipal Building. During 2012, rent payments totaling \$43,204.40 were paid to the General Fund, which exceeded the maximum amount of \$36,000 provided for by the Ordinance. As a result, Charges for Services of the General Fund decreased by \$7,204.
- In accordance with GASB 54 and AOS AB 2011-004, since General Fund appropriations exceed estimated receipts, the December 31, 2012 fund balance of \$78,402 must be classified as Assigned rather than Unassigned.
- Prior period adjustments for reconciling errors identified during the audit period but relating to 2011 resulted in a decrease to the January 1, 2012 fund balance of \$2,020.

Special Revenue Funds:

Street Construction, Maintenance and Repair Fund:

- Misposting of "Cents per Gallon" to the incorrect funds and the incorrect receipt code resulted in an increase in Intergovernmental Receipts of \$15,924 and a decrease in Taxes of \$10,690.
- Misposting of Gasoline Tax to the General Fund resulted in an increase in Intergovernmental Receipts of \$3,022.
- Misposting of "34% District Registration" to the General Fund resulted in an increase in Intergovernmental Receipts of \$11,986.
- Misposting of Intergovernmental Receipts as Taxes and the incorrect posting of Permissive Motor Vehicle License Tax receipts to this fund resulted in a decrease in Taxes of \$8,308 and an increase in Intergovernmental Receipts of \$7,497.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2013-005 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

- OPWC grant receipts and on-behalf payments were not recorded in the accounting system resulting in an increase in Intergovernmental Receipts and Transportation expenditures by \$109,739.
- Prior period adjustments for reconciling errors identified during the audit period but relating to 2011 resulted in a decrease to the January 1, 2012 fund balance of \$12,887.

State Highway Fund:

- Misposting of "Cents per Gallon" to the incorrect funds and the incorrect receipt code resulted in an increase in Intergovernmental Receipts of \$1,291.
- Misposting of Gasoline Tax to the General Fund resulted in an increase in Intergovernmental Receipts of \$245.
- Misposting of "34% District Registration" to the General Fund resulted in an increase in Intergovernmental Receipts of \$972.
- Misposting of Intergovernmental Receipts as Taxes resulted in a decrease in Taxes of \$255 and an increase in Intergovernmental Receipts of \$255.
- Prior period adjustments for reconciling errors identified during the audit period but relating to 2011 resulted in an increase to the January 1, 2012 fund balance of \$264.

Parks and Recreation Fund:

- Misposting of Intergovernmental Receipts as Taxes resulted in a decrease in Taxes of \$5,229 and an increase in Intergovernmental Receipts of \$5,229.
- Prior period adjustments for reconciling errors identified during the audit period but relating to 2011 resulted in an increase to the January 1, 2012 fund balance of \$703.

Permissive Motor Vehicle License Tax Fund:

- Misposting of Intergovernmental Receipts as Taxes resulted in a decrease in Taxes of \$29,464 and an increase in Intergovernmental Receipts of \$29,464.
- Misposting of Permissive Motor Vehicle License Tax receipts to the Street Construction, Maintenance and Repair Fund resulted in an increase in Intergovernmental Receipts of \$811.

COPS Grant Fund:

- Misposting of grant monies from the Ohio Department of Justice to the General Fund resulted in an increase in Intergovernmental Receipts of \$10,414.
- Prior period adjustments for reconciling errors identified during the audit period but relating to 2011 resulted in an increase to the January 1, 2012 fund balance of \$72.

Fire Levy Fund:

- The refinancing of one of the fire truck loans was not posted to the books resulting in an increase in Debt Proceeds for the new loan (#41168) and an increase in Principal Payments for the old loan (#80120).
- As a result of the Fire Fund debt adjustments, the December 31, 2012 fund balance was a negative \$33,966 which, under GASB 54, was reclassified from Restricted to Unassigned.
- Prior period adjustments for reconciling errors identified during the audit period but relating to 2011 resulted in an increase to the January 1, 2012 fund balance of \$2,039.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

Street Levy Fund:

- Prior period adjustments for reconciling errors identified during the audit period but relating to 2011 resulted in an increase to the January 1, 2012 fund balance of \$11,973.

Enterprise Funds:

Water Operating Fund:

- Ordinance #1002 provided that the Electric and Water Department would pay rent of \$3,000 to the General Fund monthly to defray the cost of maintenance and upkeep of the Municipal Building. During 2012, rent payments totaling \$43,204.40 were paid to the General Fund, which exceeded the maximum amount of \$36,000 provided for by the Ordinance. As a result, Utility and Contract Expenditures of the Water Fund decreased by \$3,602.

Electric Operating Fund:

- Ordinance #1002 provided that the Electric and Water Department would pay rent of \$3,000 to the General Fund monthly to defray the cost of maintenance and upkeep of the Municipal Building. During 2012, rent payments totaling \$43,204.40 were paid to the General Fund, which exceeded the maximum amount of \$36,000 provided for by the Ordinance. As a result, Utility and Contract Expenditures of the Electric Fund decreased by \$3,602.
- The Electric Fund reimbursed the General Fund for a portion of the Mayor's salary at an amount more than what Village Ordinance #891 allowed. As a result, Utility and Contract Expenditures decreased \$1,278.

Agency Fund:

- Fines, Licenses and Permits of the Mayor's Court Fund and the related distributions (Other Expenditures were each increased by \$33,203 to bring the activity of the Mayor's Court Fund onto the Village's books.

For the period ending December 31, 2013, the following items were noted:

General Fund:

- Misposting of "34% District Registration" to the General Fund resulted in a decrease in Intergovernmental Receipts of \$12,110.
- Misposting of Homestead and Rollback receipts as Taxes rather than as Intergovernmental Receipts resulted in a decrease in Taxes of \$13,359 and an increase in Intergovernmental Receipts of \$18,152.
- Misposting of the proceeds of Loan #671102027 resulting in a decrease in receipts from Special Items and an increase in Debt Proceeds of \$37,975.
- An interfund transaction moving \$20,285 from the General Fund to the Street Levy Fund was approved as a Transfer by Council but posted as an Advance. A reclassifying entry was made to properly report the transaction.
- The General Fund was reimbursed by the Electric Fund for a portion of the Mayor's salary at an amount more than what Village Ordinance #891 allowed. As a result, Charges for Services of the General Fund decreased \$1,168.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

- Ordinance #1002 provided that the Electric and Water Department would pay rent of \$3,000 to the General Fund monthly to defray the cost of maintenance and upkeep of the Municipal Building. During 2012, rent payments totaling \$43,204.40 were paid to the General Fund, which exceeded the maximum amount of \$36,000 provided for by the Ordinance. As a result, Charges for Services of the General Fund decreased by \$4,521.
- In accordance with GASB 54 and AOS AB 2011-004, the General Fund's December 31, 2013 fund balance of \$117,250 was reclassified from Restricted to Unassigned.

Special Revenue Funds:

Street Construction, Maintenance and Repair Fund:

- Misposting of "Cents per Gallon" to the incorrect funds and the incorrect receipt code resulted in an increase in Intergovernmental Receipts of \$12,633 and a decrease in Taxes of \$13,690 and a decrease in fund balance of \$1,027.
- Misposting of "34% District Registration" to the General Fund resulted in an increase in Intergovernmental Receipts of \$11,202.
- Misposting of Homestead and Rollback as Taxes rather than as Intergovernmental Receipts resulted in a decrease in Taxes of \$8,254 and an increase in Intergovernmental Receipts of \$8,254.
- OPWC grant receipts and on-behalf payments were not recorded in the accounting system resulting in an increase in Intergovernmental Receipts and Transportation expenditures by \$76,225.

State Highway Fund:

- Misposting of "Cents per Gallon" to the incorrect funds and the incorrect receipt code resulted in an increase in Intergovernmental Receipts of \$1,027.
- Misposting of "34% District Registration" to the General Fund resulted in an increase in Intergovernmental Receipts of \$908.

Permissive Motor Vehicle License Tax Fund:

- Misposting of Intergovernmental Receipts as Taxes resulted in a decrease in Taxes of \$3,588 and an increase in Intergovernmental Receipts of \$3,588.

Police Levy Fund:

- Misposting of Intergovernmental Receipts as Taxes resulted in a decrease in Taxes of \$6,677 and an increase in Intergovernmental Receipts of \$6,677.

Fire Levy Fund:

- Misposting of Intergovernmental Receipts as Taxes resulted in a decrease in Taxes of \$6,677 and an increase in Intergovernmental Receipts of \$6,677.

Street Levy Fund:

- An interfund transaction moving \$20,285 from the General Fund to the Street Levy Fund was approved as a Transfer by Council but posted as an Advance. A reclassifying entry was made to properly report the transaction

**VILLAGE OF GLOUSTER
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2013-005 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

Enterprise Funds:

Water Operating Fund:

- Ordinance #1002 provided that the Electric and Water Department would pay rent of \$3,000 to the General Fund monthly to defray the cost of maintenance and upkeep of the Municipal Building. During 2013, rent payments totaling \$40,520 were paid to the General Fund, which exceeded the maximum amount of \$36,000 provided for by the Ordinance. As a result, Utility and Contract Expenditures of the Water Fund decreased by \$2,260.

Electric Operating Fund:

- Ordinance #1002 provided that the Electric and Water Department would pay rent of \$3,000 to the General Fund monthly to defray the cost of maintenance and upkeep of the Municipal Building. During 2013, rent payments totaling \$40,520 were paid to the General Fund, which exceeded the maximum amount of \$36,000 provided for by the Ordinance. As a result, Utility and Contract Expenditures of the Electric Fund decreased by \$2,260.
- The Electric Fund reimbursed the General Fund for a portion of the Mayor's salary at an amount more than what Village Ordinance #891 allowed. As a result, Utility and Contract Expenditures decreased \$1,168

Agency Fund:

- Fines, Licenses and Permits of the Mayor's Court Fund and the related distributions (Other Expenditures were each increased by \$30,976 to bring the activity of the Mayor's Court Fund onto the Village's books.

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Village's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to Appendix A-2 of the Village Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

Official's Response: The transfer from the General Fund to the Street Levy Fund was on the advice of an employee of the Local Government Services division of the Auditor or State. The OPWC Grant was never actually received so, therefore, did not expense any funds. The grant money funded a waterline that tied our water tank to the main valve. I know understand governmental fund based on advice from the auditor.

Auditor's Reaction: We understand the interfund transaction between the General Fund and the Street Levy Fund was recommended and properly approved by Council. However, our exception was in that it was recorded as an Advance, rather than a transfer. Advances are temporary interfund loans whereas transfers are permanent.

Regarding the grant, the OPWC remitted payment directly to the contractor "on-behalf" of the Village. It is no different that if the OPWC issued a check for the grant funds to the Village just to have the Village turn around and issue a check to the contractor. The on-behalf transaction occurred and must be reflected in the accounting; regardless if whether the Village physically handled the money.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2013-006

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2013, estimated resources as approved by the Budget Commission did not agree to the Village's accounting system for the following funds:

| <u>Fund Name</u> | <u>Estimated Receipts, as Adopted</u> | <u>Estimated Reciepts posted to the Accounting System</u> | <u>System under Certificate</u> |
|---|---|---|-------------------------------------|
| General | \$ 245,000 | \$ 12,209 | \$ (232,791) |
| Street Construction, Maintenance and Repair | 70,000 | - | (70,000) |
| State Highway | 2,500 | - | (2,500) |
| Parks and Recreation | 14,000 | - | (14,000) |
| Federal Grants | 9,000 | - | (9,000) |
| Law Enforcement Trust Fund | 1,000 | - | (1,000) |
| Permissive Motor Vehicle License Tax | 5,000 | - | (5,000) |
| Police Levy | 30,000 | - | (30,000) |
| Fire Levy | 40,000 | - | (40,000) |
| Street Levy | - | 20,285 | 20,285 |
| Computer Fund | 18,000 | - | (18,000) |
| Water Operating | 347,000 | 3,268 | (343,732) |
| Electric Operating | 1,300,000 | - | (1,300,000) |
| Other Enterprise | 22,944 | - | (22,944) |
| Enterprise Improvement | 39,980 | - | (39,980) |
| Guaranteed Deposit | 269 | 15,000 | 14,731 |

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-006 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2013, appropriations as approved by Village Council did not agree to the Village's accounting system for the following funds:

| Fund Name | Appropriations as adopted by Council | Appropriations as posted to the Accounting System | System Over/(Under) Adopted |
|---|---|--|--|
| General Fund | \$ 172,725 | \$ 238,469 | \$ 65,744 |
| Street Construction, Maintenance and Repair | 70,000 | 89,277 | 19,277 |
| Parks and Recreation | 14,000 | 20,000 | 6,000 |
| Federal Grants | 26,659 | 27,319 | 660 |
| Permissive Motor Vehicle License Tax | 5,000 | 16,200 | 11,200 |
| Fire Levy | 40,000 | 42,065 | 2,065 |
| Street Levy | - | 20,285 | 20,285 |
| Computer Fund | 1,800 | 3,600 | 1,800 |
| Water Operating | 347,000 | 365,268 | 18,268 |
| Electric Operating | 1,300,000 | 1,378,000 | 78,000 |
| Guaranteed Deposit | 5,688 | 31,695 | 26,008 |

At December 31, 2012, estimated resources as approved by the Budget Commission did not agree to the Village's accounting system for the following funds:

| Fund Name | Estimated Receipts, as Adopted | Estimated Reciepts posted to the Accounting System | System under Certificate |
|---|---|---|-------------------------------------|
| General | \$ 300,000 | \$ 209 | \$ (299,791) |
| Street Construction, Maintenance and Repair | 183,239 | - | (183,239) |
| State Highway | 2,000 | - | (2,000) |
| Parks and Recreation | 14,000 | - | (14,000) |
| Law Enforcement Trust Fund | 2,500 | - | (2,500) |
| Permissive Motor Vehicle License Tax | 1,500 | - | (1,500) |
| COPS Grant | 7,000 | - | (7,000) |
| Police Levy | 18,000 | - | (18,000) |
| Fire Levy | 36,000 | - | (36,000) |
| Street Levy | 20,000 | - | (20,000) |
| Computer Fund | 1,500 | - | (1,500) |
| Water Operating | 342,000 | - | (342,000) |
| Electric Operating | 1,000,500 | - | (1,000,500) |
| Other Enterprise | 8,000 | - | (8,000) |
| Enterprise Improvement | 10,000 | - | (10,000) |
| Guaranteed Deposit | 10,000 | - | (10,000) |

**VILLAGE OF GLOUSTER
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2013-006 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2012, appropriations as approved by Village Council did not agree to the Village's accounting system for the following funds:

| Fund Name | Appropriations as posted to the Accounting System | Appropriations as adopted by Council | System Over/(Under) Adopted |
|---|--|---|--|
| Street Construction, Maintenance and Repair | 82,917 | 78,446 | 4,471 |
| Permissive Motor Vehicle License Tax | 29,965 | 1,467 | 28,498 |
| COPS Grant | 9,650 | 7,015 | 2,635 |
| Street Levy | 1,250 | - | 1,250 |
| Water Operating | 414,451 | 403,510 | 10,941 |
| Electric Operating | 1,193,920 | 1,072,117 | 121,803 |
| Other Enterprise | 39,092 | 22,563 | 16,529 |
| Enterprise Improvement | 22,563 | 39,092 | (16,529) |
| Guaranteed Deposit (1) | - | 7,955 | (7,955) |
| Guaranteed Deposit (2) | 8,455 | - | 8,455 |

Because the budgetary information posted to the accounting system differed from the amounts formally approved, Council lost some degree of control and was unable to effectively monitor and report its budget to actual status throughout the year.

We recommend the Village review accuracy of posted appropriation amounts into the UAN system.

Official's Response: I could not get the budgetary numbers to save in UAN. I will work more diligently in 2014-2015.

FINDING NUMBER 2013-007

Significant Deficiency

Auditor of State Bulletin 97-003 indicates that advances may be a desirable method of resolving cash flow problems given the following requirements are met:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer.
- Advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:
 - A specific statement that the transaction is an advance of cash, and
 - An indication of the money (fund) from which it is expected that repayment will be made.

The Fiscal Officer posted an advance of \$20,285 from the General Fund to the Street Levy Fund for the year ended December 31, 2013. However, this transaction was approved by the Council as a transfer and no expectation of repayment was documented. This resulted in an audit adjustment to convert the advance to a transfer.

VILLAGE OF GLOUSTER
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

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

FINDING NUMBER 2013-007 (Continued)

Significant Deficiency – Recording a Transfer as an Advance (Continued)

We recommend the Fiscal Officer posts advances to its financial statements only if formally approved by the Council designating the transaction as an advance and indicating fund from which repayment is expected.

Official's Response: The transfer was done on the advice of an employee of the Local Government Services division of the Auditor or State. Posting of this transaction was incorrect.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|---|
| 2011-001 | A noncompliance citation/material weakness of Ohio Rev. Code § 5705.10 for negative fund cash balances. | No | Repeated as Finding 2013-002. |
| 2011-002 | A material weakness for improper calculation of electric rates. | No | Partially corrected. Repeated in a separate letter to management. |
| 2011-003 | A material weakness for failing to prepare accurate bank reconciliations. | Yes | NA |
| 2011-004 | A material weakness for inaccurate posting of receipts and disbursements. | No | Repeated as Finding 2013-005. |
| 2011-005 | A material weakness lack of budgetary controls leading to noncompliance with Ohio Rev. Code §§ 5705.36, 5705.39, 5705.41(B) and 5705.41(D) | No | Noncompliance with Ohio Rev. Code § 5705.39 partially corrected. Repeated in a separate letter to management. Noncompliance with Ohio Rev. Code § 5705.41(B) repeated as Finding 2013-003. Noncompliance with Ohio Rev. Code § 5705.41(D) repeated as Finding 2013-004. |



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
DECEMBER 18, 2014**