

**VILLAGE OF GLOUSTER  
ATHENS COUNTY  
Regular Audit  
For the Years Ended December 31, 2009 and 2008**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Glouster, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2008 through December 31, 2009. 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

April 4, 2011

**This Page is Intentionally Left Blank.**

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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, 2009.....	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, 2009.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	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, 2008.....	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> .....	16
Schedule of Audit Findings .....	18
Schedule of Prior Audit Findings .....	23

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

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

January 17, 2011

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

To the Village Council:

We have audited the accompanying financial statements of the **Village of Glouster, Athens County, Ohio**, (the Village) as of and for the years ended December 31, 2009 and 2008. 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.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires Villages to classify receipt and disbursement transactions.

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 the GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. 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, 2009 and 2008 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, 2009 and 2008 or their changes in financial position, or cash flows for the years then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications, referred to in the fourth preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances for the Village of Gloucester, Athens County, as of December 31, 2009 and 2008, and its combined unclassified cash receipts and combined unclassified cash disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 12 to the financial statements, the Village has suffered recurring net losses and has a deficit in the General Fund of \$90,088 at December 31, 2009. This condition raises substantial doubt about the Village's ability to continue as a going concern. Management does not have any long-term plans for reducing the fund deficit.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2011, 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, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Cash Receipts	\$ 274,195	\$ 163,593	\$ 437,788
Total Cash Receipts	<u>274,195</u>	<u>163,593</u>	<u>437,788</u>
<b>Cash Disbursements:</b>			
Cash Disbursements	<u>296,757</u>	<u>182,621</u>	<u>479,378</u>
Total Cash Disbursements	<u>296,757</u>	<u>182,621</u>	<u>479,378</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(22,562)</u>	<u>(19,028)</u>	<u>(41,590)</u>
Fund Cash Balances, January 1	<u>(67,525)</u>	<u>66,741</u>	<u>(784)</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ (90,087)</u></u></b>	<b><u><u>\$ 47,713</u></u></b>	<b><u><u>\$ (42,374)</u></u></b>

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, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Cash Receipts	\$ 1,570,576	\$ -	\$ 1,570,576
Total Operating Revenues	<u>1,570,576</u>	<u>-</u>	<u>1,570,576</u>
<b>Operating Cash Disbursements:</b>			
Cash Disbursements	1,621,852	-	1,621,852
Total Operating Cash Disbursements	<u>1,621,852</u>	<u>-</u>	<u>1,621,852</u>
Operating Income (Loss)	<u>(51,276)</u>	<u>-</u>	<u>(51,276)</u>
<b>Non-Operating Cash Receipts/Disbursements:</b>			
Other Non-Operating Cash Receipts	-	36,364	36,364
Other Non-Operating Cash Disbursements	-	(28,507)	(28,507)
Total Non-Operating Cash Receipts/Disbursements	<u>-</u>	<u>7,857</u>	<u>7,857</u>
Fund Cash Balances, January 1	<u>250,969</u>	<u>274</u>	<u>251,243</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 199,693</u></b>	<b><u>\$ 8,131</u></b>	<b><u>\$ 207,824</u></b>

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, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Cash Receipts	\$ 304,043	\$ 192,263	\$ 496,306
Total Cash Receipts	<u>304,043</u>	<u>192,263</u>	<u>496,306</u>
<b>Cash Disbursements:</b>			
Cash Disbursements	323,064	222,383	545,447
Total Cash Disbursements	<u>323,064</u>	<u>222,383</u>	<u>545,447</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(19,021)</u>	<u>(30,120)</u>	<u>(49,141)</u>
Fund Cash Balances, January 1 (Restated See Note 11)	<u>(48,504)</u>	<u>96,861</u>	<u>48,357</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ (67,525)</u></u></b>	<b><u><u>\$ 66,741</u></u></b>	<b><u><u>\$ (784)</u></u></b>

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, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Cash Receipts	\$ 1,485,030	\$ -	\$ 1,485,030
Total Operating Revenues	<u>1,485,030</u>	<u>-</u>	<u>1,485,030</u>
<b>Operating Cash Disbursements:</b>			
Cash Disbursements	1,624,038	-	1,624,038
Total Operating Cash Disbursements	<u>1,624,038</u>	<u>-</u>	<u>1,624,038</u>
Operating Income (Loss)	<u>(139,008)</u>	<u>-</u>	<u>(139,008)</u>
<b>Non-Operating Cash Receipts/Disbursements:</b>			
Other Non-Operating Cash Receipts	-	33,693	33,693
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(35,128)</u>	<u>(35,128)</u>
Total Non-Operating Cash Receipts/Disbursements	<u>-</u>	<u>(1,435)</u>	<u>(1,435)</u>
Fund Cash Balances, January 1	<u>389,977</u>	<u>1,709</u>	<u>391,686</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 250,969</u></u></b>	<b><u><u>\$ 274</u></u></b>	<b><u><u>\$ 251,243</u></u></b>

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. 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.

Certificates of Deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

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

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

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

**3. Enterprise Funds**

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

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

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

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

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 the Village's Mayor's Court activity.

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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 fund, function, or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<b>2009</b>	<b>2008</b>
Demand deposits	\$45,450	\$130,459
Certificates of Deposit	120,000	120,000
Total deposits	165,450	250,459

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

**2009 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 250,000	\$ 274,195	\$ 24,195
Special Revenue	161,500	163,593	2,093
Enterprise	1,316,000	1,570,576	254,576
Total	\$ 1,727,500	\$ 2,008,364	\$ 280,864

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 250,085	\$ 296,757	\$ (46,672)
Special Revenue	198,671	182,621	16,050
Enterprise	1,372,806	1,621,852	(249,046)
Total	\$ 1,821,562	\$ 2,101,230	\$ (279,668)

**2008 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 250,000	\$ 304,043	\$ 54,043
Special Revenue	162,100	192,263	30,163
Enterprise	1,304,000	1,485,030	181,030
Total	\$ 1,716,100	\$ 1,981,336	\$ 265,236

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 280,000	\$ 323,064	\$ (43,064)
Special Revenue	244,195	222,383	21,812
Enterprise	1,676,588	1,624,038	52,550
Total	\$ 2,200,783	\$ 2,169,485	\$ 31,298

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the General, Street, Highway, DUI, Street Levy, Water Operating and Electric Operating Funds in 2009 and the General, Street, Street Levy, Enterprise Improvement and Guaranteed Deposit Funds in 2008.

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 37% of expenditures tested during 2009 and 57% of expenditures testing during 2008.

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest
Fire Department Truck Loan	\$ 95,649	4.38%
Street Department Building Loan	149,828	6.88%
Police Car Loan	14,720	6.38%
	\$ 260,197	

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. DEBT (Continued)**

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

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

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

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

Year ending December 31:	Fire Department Truck Loan	Street Department Building Loan	Police Car Loan
2010	\$ 99,834	\$ 160,129	\$ 15,659

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

**6. RETIREMENT SYSTEMS**

Officials and employees, other than law enforcement officers, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, members of PERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**7. RISK MANAGEMENT**

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

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

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

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u><b>2009</b></u>	<u><b>2008</b></u>
Assets	\$11,176,186	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$ 6,323,701</u>	<u>\$ 5,184,333</u>

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

**8. CONTINGENT LIABILITIES**

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

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATION**

*Trimble Township Wastewater Treatment District* – The Trimble Township Wastewater Treatment District (the District) is a regional sewer district organized under Chapter 6119 of the Ohio Revised Code. The District operates under the direction of an eight member Board of Trustees whose membership is composed of two appointments from each of the participating subdivisions: Village of Trimble, Village of Jacksonville, Village of Glouster and Trimble Township.

The Membership elects a President, Vice-President, and a Secretary-Treasurer, who are responsible for fiscal control of the financial resources of the District. To obtain financial information, write to the Trimble Township Wastewater Treatment District, Joy Hemsley, Secretary-Treasurer, at 18551 Jacksonville Road, P.O. Box 278 Jacksonville, Ohio 45740. During 2008, the Village paid the District \$1,748.50 for sewer services. During 2009, the Village paid the District \$1,894.50 for sewer services.

**10. ACCOUNTABILITY AND COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.10, the Village had the following negative cash balances at December 31, 2009 and December 31, 2008 in the following funds:

	<u>2009 Deficit</u>
General Fund	\$(90,087)
Street Levy Fund	\$(29,481)
	<u>2008 Deficit</u>
General Fund	\$(67,525)
Street Levy Fund	\$(11,960)

The deficit balances are in part due to a deficit cash fund balance and failure to adequately fund these programs. As of the date of this report, management has not made any formal long-term plans to address the deficit that remains in these Funds.

**11. RESTATEMENT OF BEGINNING FUND BALANCES**

The Village made a fund balance adjustment in 2008 to correct errors found during cash reconciliations that had been included in the General Fund. The correction of this error had the following effect on fund balances at January 1, 2008:

	<u>General Fund</u>
Ending Fund Balance at December 31, 2007	\$ (16,954)
Correction for error in revenue accounting	<u>(31,550)</u>
Beginning Fund Balance at January 1, 2008, restated	<u><u>\$ (48,504)</u></u>

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**12. GOING CONCERN**

The Village expenses have exceeded revenues for the years 2007, 2008, and 2009. As a result, the General Fund and Street Levy Fund have significant deficits at the end of 2009 and 2008.

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.

The Village does not have any long-term plans in place to reduce these deficits.

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.

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

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

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

January 17, 2011

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

To the Village Council:

We have audited the financial statements of the **Village of Glouster, Athens County, Ohio** (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated January 17, 2011 which was qualified since the Village did not classify receipts and disbursements in the financial statements and wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. We also noted the Village's General Fund has a deficit cash fund balance as of December 31, 2009, and management does not have any long-term plans to reduce the deficit.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Government'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 Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government'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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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 2009-001 through 2009-002 and 2009-006 through 2009-007 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-003 through 2009-005 described in the accompanying schedule of findings to be significant deficiencies.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Government'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 are described in the accompanying schedule of findings as items 2009-001 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 17, 2011.

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 them.

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

Respectfully Submitted,



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

VILLAGE OF GLOUSTER  
ATHENS COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

**Noncompliance Citation/Material Weakness**

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

The Village had negative fund balances at December 31, 2009 as follows:

<u>Fund</u>	<u>Deficit</u>
General Fund	(\$90,087)
Street Levy Fund	(\$29,481)

The Village had negative fund balances at December 31, 2008 as follows:

<u>Fund</u>	<u>Deficit</u>
General Fund	(\$67,525)
Street Levy Fund	(\$11,960)

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 are correcting our accounting methods to begin reducing the deficit this year (2011).

FINDING NUMBER 2009-002

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code Section 733.40** states all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor that in any manner come into the mayor's hands, or that are due the mayor or marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-002 (Continued)**

During 2009 and 2008, the monies collected by the Mayor's Court were not always paid to the State by the first Monday of the month.

We recommend the Mayor's Court pay all monies collected to the State of Ohio by the required dates.

**Management's Response** – The monies for Mayor's Court is now deposited in a timely manner.

**FINDING NUMBER 2009-003**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 9.39** requires that all money received or collected by a public official under color of office and not otherwise paid out according to law shall be paid into the treasury of the public office with which he/she is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office.

At December 31, 2009 and 2008, the Village carried several outstanding checks that had been outstanding in excess of one year. These checks have remained in the outstanding check list instead of being placed in an Unclaimed Monies Fund.

We recommend the Village establish an Unclaimed Monies Fund (Agency Fund) and place all checks that have been outstanding in excess of six months into this fund.

**Management's Response** – This Unclaimed Monies Fund will be established this year (2011).

**FINDING NUMBER 2009-004**

**Noncompliance Citation/Significant Deficiency**

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

Actual disbursements exceeded appropriations in 2009 in the General, Street, Highway, DUI, Street Levy, Water Operating, and Electric Operating Funds and in 2008 in the General, Street, Street Levy, Enterprise Improvement, and Guaranteed Deposits Funds.

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

**Management's Response** – The Fiscal Officer was not aware that she could deny payment because she is in an appointed position and not elected.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-005**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-005 (Continued)**

The Village did not properly certify the availability of funds prior to purchase commitment for 57% and 37% of the expenditures tested during 2009 and 2008, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

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

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

**FINDING NUMBER 2009-006**

**Material Weakness**

**Proper Posting of Receipts and Expenditures**

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial reports for external reporting purposes. Effective monitoring controls should enable management to identify misclassifications, errors, and omissions in financial reports.

During testing of receipts and disbursements, we noted substantial misclassifications that resulted in the Village issuing unclassified financial statements. The Village input fictitious receipts into the General Fund in the UAN accounting system in order to reflect a positive fund balance to allow expenditures to be made from the General Fund. The UAN system has a control in place which will not allow expenditures to be made from a fund with a negative fund balance. Numerous audit adjustments were recorded from source documents so that the Village system adequately and accurately reflected all transactions.

Based on these misclassifications, the financial statements were presented with receipts and disbursements in total by fund type only. The accompanying financial statements reflect all adjustments.

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 revenues and expenditures 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 expenditure accounts and posting of receipts and expenditures.

**Management's Response** – This was corrected by April, 2010.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-007**

**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 do monthly bank reconciliations.

**VILLAGE OF GLOUSTER  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC Section 5705.10-Deficit in the General Fund	No	Repeated as 2009-001
2007-002	ORC Section 118.022-Fiscal watch	No	N/A
2007-003	ORC Section 117-2-02(D)(4)(a)-Payroll records	Yes	N/A
2007-004	ORC Section 5705.41(D)-Not properly encumbering expenditures	No	Repeated as 2009-005
2007-005	ORC Section 5705.36-Variance in revenue versus estimated resources	No	Repeated in Management Letter
2007-006	ORC Section 5705.41(B)-Expenditures exceeding appropriations	No	Repeated as 2009-004
2007-007	Proper Posting of Receipts and Disbursements	No	Repeated as 2009-006
2007-008	Posting Estimated Resources and Appropriations	Yes	N/A
2007-009	Floating Checks	Yes	N/A
2007-010	Bank Reconciliations	No	Repeated as 2009-007



# 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  
APRIL 14, 2011**