



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF GLOUSTER
ATHENS COUNTY
DECEMBER 31, 2017 AND 2016**

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OHIO AUDITOR OF STATE KEITH FABER



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Glouster, Athens County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

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 such 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 opinions.

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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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective changes in financial position or cash flows 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Glouster, Athens County, Ohio, as of December 31, 2017 and 2016 for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 April 25, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2019

**VILLAGE OF GLOUSTER
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$100,898	\$94,107	\$195,005
Intergovernmental	43,582	90,578	134,160
Special Assessments	0	426	426
Charges for Services	33,000	15,000	48,000
Fines, Licenses and Permits	25,983	1,604	27,587
Earnings on Investments	9,132	0	9,132
Miscellaneous	10,611	21,812	32,423
<i>Total Cash Receipts</i>	<u>223,206</u>	<u>223,527</u>	<u>446,733</u>
Cash Disbursements			
Current:			
Security of Persons and Property	130,822	96,764	227,586
Leisure Time Activities	0	27,761	27,761
Transportation	0	81,431	81,431
General Government	54,336	0	54,336
Debt Service:			
Principal Retirement	0	68,378	68,378
Interest and Fiscal Charges	0	96	96
<i>Total Cash Disbursements</i>	<u>185,158</u>	<u>274,430</u>	<u>459,588</u>
<i>Net Change in Fund Cash Balances</i>	38,048	(50,903)	(12,855)
<i>Fund Cash Balances, January 1</i>	<u>96,970</u>	<u>177,260</u>	<u>274,230</u>
Fund Cash Balances, December 31			
Restricted	0	126,357	126,357
Unassigned (Deficit)	135,018	0	135,018
<i>Fund Cash Balances, December 31</i>	<u><u>\$135,018</u></u>	<u><u>\$126,357</u></u>	<u><u>\$261,375</u></u>

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

**VILLAGE OF GLOUSTER
PERRY 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, 2017**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,708,570	\$0	\$1,708,570
Fines, Licenses and Permits	0	34,640	34,640
<i>Total Operating Cash Receipts</i>	<u>1,708,570</u>	<u>34,640</u>	<u>1,743,210</u>
Operating Cash Disbursements			
Personal Services	228,848	0	228,848
Fringe Benefits	124,041	0	124,041
Contractual Services	1,154,404	0	1,154,404
Supplies and Materials	104,284	0	104,284
Other	54,434	34,640	89,074
<i>Total Operating Cash Disbursements</i>	<u>1,666,011</u>	<u>34,640</u>	<u>1,700,651</u>
<i>Operating Income</i>	<u>42,559</u>	<u>0</u>	<u>42,559</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	18,973	0	18,973
Other Debt Proceeds	44,878	0	44,878
Miscellaneous Receipts	74,182	0	74,182
Capital Outlay	(158,507)	0	(158,507)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(20,474)</u>	<u>0</u>	<u>(20,474)</u>
<i>Net Change in Fund Cash Balances</i>	22,085	0	22,085
<i>Fund Cash Balances, January 1</i>	<u>741,843</u>	<u>3,256</u>	<u>745,099</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$763,928</u></u>	<u><u>\$3,256</u></u>	<u><u>\$767,184</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, 2017**

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, park operations, fire protection services, maintenance of Village streets and highways, and police services.

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

Jointly Governed Organization:

The Trimble Township Wastewater Treatment 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. The Village recognizes receipts when receives 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 permit.

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 certificate 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, 2017
(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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law

A summary of 2017 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.

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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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 and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand deposits	\$918,559
Certificates of deposit	110,000
Total deposits	1,028,559

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$215,000	\$223,206	\$8,206
Special Revenue	204,700	223,527	18,827
Enterprise	1,929,500	1,846,603	(82,897)
Total	\$2,349,200	\$2,293,336	(\$55,864)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$309,813	\$185,158	\$124,655
Special Revenue	379,546	274,430	105,116
Enterprise	2,607,991	1,824,518	783,473
Total	\$3,297,350	\$2,284,106	\$1,013,244

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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.

5. DEBT

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Street Department Loan	\$8,618	5.38%
Ohio Water Development Authority Loan	\$172,637	3.26%
Total	<u>\$181,255</u>	

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. Payments of the loan, including principal and interest, of \$16,907 were due each year through 2023. The Village has made payments in advance. The full faith and credit of the Village has been pledged to repay this debt.

The Ohio Water Development Authority (OWDA) loan relates to a water distribution system project. OWDA has approved to loan the Village up to \$350,722 for the project. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule has been established.

The Ohio Public Works Commission (OPWC) loan relates to a water distribution system project. OPWC has approved to loan the Village up to \$500,000 for the project with payments to begin in 2018. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. No amortization schedule has been established.

AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station Project (AMPGS). 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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

The Village's estimated share on March 31, 2014 was \$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. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of \$10,355 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,044 and interest expense incurred on AMP's line-of-credit of \$2,088, resulting in a net impaired cost estimate at December 31, 2016 of \$70,443. The Village does have a potential PHFU Liability of \$27,908 resulting in a net total potential liability of \$98,351, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village elected to finance this amount by paying a yearly lump sum payment of \$5,178 for 15 years.

This is the most recent available information until Amp-Ohio's 2017 audit is complete.

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 2017, OP&F participants contributed 12.25% of their wages. For 2017, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2017, 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, 2017.

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 § 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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</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.

9. JOINTLY GOVERNED ORGANIZATIONS

The Trimble Township Wastewater 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 comprised 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 Glouster
- Village of Jacksonville
- Village of Trimble
- Trimble Township

During 2017, the Village of Glouster paid the District \$2,081 for sewer services.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

10. LEASES

The Village leases the Village hall to the Water and Electric Department located at 16 Front Street for \$3,000 per month.

The Village leases the Glouster Depot on High Street to Glouster Village Project for \$1 for 20 years.

11. SUBSEQUENT EVENTS

The Village entered into a loan with the Ohio Water Development Authority (OWDA Loan 7895) in the amount of \$1,265,652 for water distribution improvements on December 7, 2017. The gross amount of the loan is for \$2,510,188 with \$1,244,496 of the principal to be forgiven. There was no activity during fiscal year 2017 and the first payment is not due until July 1, 2020. The actual amortization has not been set.

12. POSTEMPLOYMENT BENEFITS

Both the Ohio Public Employees Retirement System (OPERS) and Police and Fire Pension Fund (OP&F) offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**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, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$101,038	\$97,695	\$198,733
Intergovernmental	45,354	85,804	131,158
Special Assessments	0	240	240
Charges for Services	36,000	15,000	51,000
Fines, Licenses and Permits	29,659	1,718	31,377
Earnings on Investments	104	0	104
Miscellaneous	5,387	20,021	25,408
	<i>Total Cash Receipts</i>	<i>217,542</i>	<i>438,020</i>
Cash Disbursements			
Current:			
Security of Persons and Property	141,479	87,806	229,285
Leisure Time Activities	0	17,874	17,874
Transportation	0	109,331	109,331
General Government	67,028	0	67,028
Debt Service:			
Principal Retirement	0	64,054	64,054
Interest and Fiscal Charges	0	6,556	6,556
	<i>Total Cash Disbursements</i>	<i>285,621</i>	<i>494,128</i>
	<i>Net Change in Fund Cash Balances</i>	<i>(65,143)</i>	<i>(56,108)</i>
	<i>Fund Cash Balances, January 1</i>	<i>242,403</i>	<i>330,338</i>
Fund Cash Balances, December 31			
Restricted	0	177,260	177,260
Assigned	44,035	0	44,035
Unassigned (Deficit)	52,935	0	52,935
	<i>Fund Cash Balances, December 31</i>	<i>\$96,970</i>	<i>\$274,230</i>

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, 2016**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,796,352	\$0	\$1,796,352
Fines, Licenses and Permits	0	37,369	37,369
<i>Total Operating Cash Receipts</i>	<u>1,796,352</u>	<u>37,369</u>	<u>1,833,721</u>
Operating Cash Disbursements			
Personal Services	223,030	0	223,030
Fringe Benefits	148,020	0	148,020
Contractual Services	1,104,087	0	1,104,087
Supplies and Materials	112,485	0	112,485
Other	56,677	37,356	94,033
<i>Total Operating Cash Disbursements</i>	<u>1,644,299</u>	<u>37,356</u>	<u>1,681,655</u>
<i>Operating Income (Loss)</i>	<u>152,053</u>	<u>13</u>	<u>152,066</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	18,906	0	18,906
Other Debt Proceeds	116,469	0	116,469
Miscellaneous Receipts	54,749	0	54,749
Capital Outlay	(369,903)	0	(369,903)
Principal Retirement	(55,188)	0	(55,188)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(234,967)</u>	<u>0</u>	<u>(234,967)</u>
<i>Net Change in Fund Cash Balances</i>	(82,914)	13	(82,901)
<i>Fund Cash Balances, January 1</i>	<u>824,757</u>	<u>3,243</u>	<u>828,000</u>
<i>Fund Cash Balances, December 31</i>	<u>\$741,843</u>	<u>\$3,256</u>	<u>\$745,099</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, 2016**

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, park operations, fire protection services, maintenance of Village streets and highways, and police services.

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

Jointly Governed Organization:

The Trimble Township Wastewater Treatment 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. The Village recognizes receipts when receives 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 permit.

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 certificate 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, 2016
(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 fund 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law

A summary of 2016 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.

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 are 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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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 and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2016
Demand deposits	\$909,329
Certificates of deposit	110,000
Total deposits	1,019,329

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$215,000	\$217,542	\$2,542
Special Revenue	251,143	220,478	(30,665)
Enterprise	1,817,000	1,986,476	169,476
Total	\$2,283,143	\$2,424,496	\$141,353

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$328,047	\$208,507	\$119,540
Special Revenue	468,434	285,621	182,813
Enterprise	2,641,757	2,069,390	572,367
Total	\$3,438,238	\$2,563,518	\$874,720

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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.

5. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Street Department Loan	\$76,996	5.38%
Ohio Water Development Authority Loan	\$145,255	3.26%
Total	\$222,251	

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 Ohio Water Development Authority (OWDA) loan relates to a water distribution system project. OWDA has approved to loan the Village up to \$350,722 for the project. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule has been established.

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

Year Ending December 31:	Street Department Building Loan
2017	\$16,907
2018	\$16,907
2019	16,907
2020	16,907
2021	16,907
2022-2023	33,815
Total	\$118,350

AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village is a member of American Municipal Power (AMP) and has participated in the A Generating Station Project (AMPGS). This project intended to develop a pulverized coal power plant in Meigs County, Ohio.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

The Village's share was 600 kilowatts of a total 771,281 kilowatts, giving the village a .08 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 on March 31, 2014 was \$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. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of \$10,355 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,044 and interest expense incurred on AMP's line-of-credit of \$2,088, resulting in a net impaired cost estimate at December 31, 2016 of \$70,443. The Village does have a potential PHFU Liability of \$27,908 resulting in a net total potential liability of \$98,351, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village elected to finance this amount by paying a yearly lump sum payment of \$5,178 for 15 years.

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 2016, OP&F participants contributed 12.25% of their wages. For 2016, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2016, 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, 2016.

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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").

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</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.

9. JOINTLY GOVERNED ORGANIZATIONS

The Trimble Township Wastewater 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 comprised 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.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

The District services all or parts of the following political subdivisions:

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

During 2016, the Village of Glouster paid the District \$1,874 for sewer services.

10. LEASES

The Village leases the Village hall to the Water & Electric Department located at 16 Front Street for \$3,000 per month.

The Village leases the Glouster Depot on High Street to Glouster Village Project for \$1 for 20 years.

11. POSTEMPLOYMENT BENEFITS

Both the Ohio Public Employees Retirement System (OPERS) and Police and Fire Pension Fund (OP&F) offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

OHIO AUDITOR OF STATE KEITH FABER



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 the cash balances, receipts, and disbursements by fund type of the Village of Glouster, Athens County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2019, 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 opinions 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.

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 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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2017-001 through 2017-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village'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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2019

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 and .A16.

The Village Officer's Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defines how fund balances are to be classified and is codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In addition, Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

During 2017 and 2016, the Village failed to properly implement GASB Statement No. 54 requirements. This resulted in reclassifications being made to report the Village's fund balances in accordance with the aforementioned requirements. In addition, various other adjustments were made to the Village's financial statements for 2017 and 2016.

For the fiscal year ending December 31, 2017, the following misstatements were noted:

- Homestead and rollback receipts, totaling \$14,617 and \$23,828, were improperly recorded as Property Taxes rather than Intergovernmental receipts in the General Fund and Special Revenue Funds, respectively.
- Kilowatt per hour tax receipts, in the amount of \$43,206, were improperly recorded as Intergovernmental receipts rather than Property and Other Local Taxes in the General Fund.
- Fund balance for the General Fund was incorrectly reported as Restricted rather than Unassigned in the amount of \$135,018.
- OWDA loan activity, such as capitalized interest and loan proceeds paid directly to vendors, totaling \$44,878, was not reflected in the Enterprise Funds as Capital Outlay expenditures and Loan Proceeds.

For the fiscal year ending December 31, 2016, the following misstatements were noted:

- Homestead and rollback receipts, totaling \$14,489 and \$23,619, were improperly recorded as Property Taxes rather than Intergovernmental receipts in the General Fund and Special Revenue Funds, respectively.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001 (Continued)

Material Weakness (Continued)

- Kilowatt per hour tax receipts, in the amount of \$44,552, were improperly recorded as Intergovernmental receipts rather than Property and Other Local Taxes in the General Fund.
- Fund balance for the General Fund was incorrectly reported as Restricted rather than Unassigned fund balance in the amount of \$52,935 and Assigned for subsequent appropriations in the amount of \$44,035.
- OWDA loan activity, such as capitalized interest and loan proceeds paid directly to vendors, totaling \$116,469, was not reflected in the Enterprise Funds as Capital Outlay expenditures and Loan Proceeds.
- Utility receipts totaling \$115,592, were reflected in the Enterprise Funds as Miscellaneous receipts rather than Charges for Services.
- The refund from a vendor of a duplicate payment, in the amount of \$57,596, was posted as Miscellaneous receipts rather than a reduction of Contractual Services disbursements.

The following adjustments were noted regarding recording of the Village's Mayor's Court activity:

- During 2017, the Village accounted for only the amount retained by the Village for the Mayor's Court activity in the General Fund rather than recording the receipt and disbursement activity in a separate Agency Fund. Therefore, receipts and disbursements of the Mayor's Court Agency Fund were understated by \$34,640.
- During 2016, the Village accounted for only the amount retained by the Village for the Mayor's Court activity in the General Fund rather than recording the receipt and disbursement activity in a separate Agency Fund. Therefore, receipts and disbursements of the Mayor's Court Agency Fund were understated by \$37,369 and \$37,356, respectively.

These adjustments, to which management has agreed, are reflected in the accompanying financial statements. In addition to the adjustments listed above, we also identified additional unadjusted differences ranging from \$156 to \$40,000 that we have brought to the Village's attention.

The Village did not have procedures in place to accurately post receipts, disbursements, and fund balance in the correct classification to the accounting system. Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Villages financial position and operations.

The Fiscal Officer should refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

Officials' Response: We seem to get wrote up every audit for the same things. The Fiscal Officer will work diligently to correct the postings for homestead and rollback receipts, KWH tax, and the General Fund. The Fiscal Officer has completed a fund balance adjustment to correct the AEP check and then it will be voided on the next bank reconciliation.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-002

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Village Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Village Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Village Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources and/or amendments thereof was not properly posted to the accounting system.

At December 31, 2017, estimated resources approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts Per the UAN Accounting System	Variance
General Fund	\$215,000	\$32,000	(\$183,000)
Street Construction Fund	92,000	99,000	7,000
Police Levy Fund	30,000	50,000	20,000

At December 31, 2017, appropriations approved by Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations per Appropriation Resolution	Final Appropriations Per the UAN Accounting System	Variance
General Fund	\$309,813	\$259,035	(\$50,778)
State Highway Fund	20,131	10,000	(10,131)
Parks and Recreation Fund	29,187	33,925	4,738
LETF Fund	5,105	5,000	(105)
Permissive Motor Vehicle Fund	36,724	25,000	(11,724)
COPS Grant Fund	0	188	188
Police Levy Fund	65,079	78,100	13,021
Fire Department Fund	52,737	53,310	573
Street Levy Fund	69,649	67,300	(2,349)
Computer Fund	2,854	2,800	(54)

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

Fund	Appropriations per Appropriation Resolution	Final Appropriations Per the UAN Accounting System	Variance
Water Operating Fund	644,655	590,550	(54,105)
Electric Operating Fund	1,918,029	1,781,350	(136,679)
Other Enterprise Operating Fund	18,015	18,000	(15)
Enterprise Deposit Fund	14,226	23,000	8,774
Unclaimed Monies Fund	1,213	0	(1,213)
Other Agency Fund	2,030	0	(2,030)

At December 31, 2016, estimated resources approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts Per the UAN Accounting System	Variance
General Fund	\$215,000	\$214,975	(\$25)
Street Construction Fund	90,000	84,750	(5,250)
State Highway Fund	4,500	4,200	(300)
Parks & Recreation Fund	12,000	11,110	(890)
LETF Fund	2,500	3,100	600
Permissive Motor Vehicle Fund	6,143	7,500	1,357
COPS Grant Fund	5,000	8,180	3,180
Fire Department Fund	41,000	40,675	(325)
Street Levy Fund	1,000	7,516	6,516
Computer Fund	15,000	1,750	(13,250)
Water Operating Fund	450,000	445,000	(5,000)
Electric Operating Fund	1,315,000	1,212,000	(103,000)
Other Enterprise Operating Fund	15,000	8,000	(7,000)
Enterprise Improvement Fund	25,000	10,000	(15,000)
Enterprise Deposit Fund	12,000	10,000	(2,000)

At December 31, 2016, appropriations approved by the Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations per Appropriation Resolution	Final Appropriations Per the UAN Accounting System	Variance
COPS Grant Fund	\$8,648	\$8,180	(\$468)
Fire Department Fund	56,618	63,618	7,000

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, because the information entered into the accounting system was not always accurate, adjustments were made each year to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted amounts as approved by Village Council and certified by the County Auditor.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Village Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: We had great difficulty in getting the appropriations to hold in UAN. Permanent appropriations can only be entered once thus causing these problems. Since then the Fiscal Officer has received training on how to properly record appropriations.

FINDING NUMBER 2017-003

Material Weakness

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Council and Mayor monitor financial activity closely.

The Fiscal Officer presented a monthly Treasurer's report to Council. We noted that Council reviews and signs off on the UAN Cash Summary by Fund Report, which details fund balances, revenues, expenditures, and adjustments by fund. However, the financial reports provided included only total receipts, total expenditures, and total fund balances. The reports lacked budgetary information providing for Budget vs. Actual comparisons.

The insufficiency of financial information provided to the Council for monthly review hampers the Council's ability to effectively monitor the financial activity and position of the Village. The lack of controls over expenditures and financial reporting adversely affected the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

In order to effectively monitor the financial activity of the Village, the Council members should review and accept/approve the monthly financial information provided by the Village Fiscal Officer. The Fiscal Officer should provide a detailed budget and classified financial information for each regular Council meeting.

Officials' Response: We will start providing the budget vs. actual comparisons.

**VILLAGE OF GLOUSTER
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council and/or other administrator are responsible for reviewing the reconciliations and related support.

During our test of the Village's bank reconciliations, we noted the Village carried a significant volume of outstanding checks, with \$60,950 of the checks outstanding for more than six months as of December 31, 2017. We noted the Village had \$60,774 in checks outstanding for more than six months as of December 31, 2016. Further investigation noted one check, issued in 2016 in the amount of \$57,596, was subsequently voided by the Village. For 2016, this resulted in Contractual Services being overstated and fund cash balance being understated by \$57,596 on the financial statements for the Enterprise Funds. For 2017, this resulted in the fund cash balances of the Enterprise Funds to also be understated. Adjustments, to which management has agreed, are reflected in the accompanying financial statements.

The large number of outstanding checks increases the likelihood of errors and irregularities occurring during the monthly bank reconciliation process.

To facilitate the bank reconciliation process and improve monitoring, the Fiscal Officer should investigate long outstanding checks in a timely manner and, if necessary, cancel and reissue. If contact cannot be made with all payees, Council should establish an Unclaimed Moneys Fund pursuant to Ohio Rev. Code § 9.39.

Officials' Response: We have an unclaimed funds established and we will work on moving some of these outstanding checks to this fund.

Village of Glouster
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 Email: glousterwe@nelsonvillev.com

Miles Wolf, Mayor

Jan Browning, Fiscal Officer/Clerk

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
December 31, 2016 and 2017

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code 1905.21 – Mayor’s Court failed to produce a docket or the docket failed to include all defendants. In addition, the fine/fee allocation per the cash book did not agree to the case files.	Corrected	
2015-002	Ohio Rev. Code 5705.41 (B) – The Village’s expenditures exceeded formally adopted appropriations as of December 31, 2015.	Not corrected	Corrected. Very cautious of this since the last occurrence.
2015-003	Ohio Admin. Code 117-2-01(D)(4) – The monthly Treasurer’s report packet presented to Council did not include budgeted vs. actual information and did not list detailed receipt, expenditure, or ending balances. Additionally, the Fiscal Officer provided no reports to Council for several months.	Not corrected	Corrected. Treasurer’s report now includes this to council.
2015-004	Ohio Admin. Code 117-2-02(A) – Electric utility rates established did not agree to the rates in the utility system.	Corrected	Corrected this was the switch from summer to winter rates. Switch occurred one month late.
2015-005	Ohio Admin. Code 117-2-02 (A) – The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments at December	Not corrected	I hope this has been corrected as far as we know.

	31, 2015.		
2015-006	Ohio Admin. Code 117-2-02(C)(1) – Estimated receipts as approved by the budget commission did not agree to the Village’s accounting system for several funds.	Not corrected	Corrected

OHIO AUDITOR OF STATE KEITH FABER



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
MAY 9, 2019**