



Dave Yost • Auditor of State



VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Gibsonburg  
Sandusky County  
120 North Main Street  
Gibsonburg, Ohio 43431-1106

To the Village Council:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position 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 combined cash balances of the Village of Gibsonburg, Sandusky County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 28, 2014

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$93,244		\$93,244
Municipal Income Tax	615,401		615,401
Intergovernmental	90,221	\$142,578	232,799
Special Assessments	4,305		4,305
Charges for Services	5,591		5,591
Fines, Licenses and Permits	39,817	97	39,914
Earnings on Investments	7,711		7,711
Miscellaneous	28,680	1,703	30,383
<i>Total Cash Receipts</i>	<u>884,970</u>	<u>144,378</u>	<u>1,029,348</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	427,147		427,147
Public Health Services	1,166		1,166
Leisure Time Activities	69,072	257	69,329
Community Environment	5,614		5,614
Transportation		67,688	67,688
General Government	239,746		239,746
Capital Outlay	439,753	118,762	558,515
<i>Total Cash Disbursements</i>	<u>1,182,498</u>	<u>186,707</u>	<u>1,369,205</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(297,528)</u>	<u>(42,329)</u>	<u>(339,857)</u>
<b>Other Financing Receipts:</b>			
Sale of Capital Assets	36,781		36,781
<i>Net Change in Fund Cash Balances</i>	<u>(260,747)</u>	<u>(42,329)</u>	<u>(303,076)</u>
<i>Fund Cash Balances, January 1</i>	<u>974,536</u>	<u>222,840</u>	<u>1,197,376</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		177,650	177,650
Committed		2,861	2,861
Assigned	454,492		454,492
Unassigned	259,297		259,297
<i>Fund Cash Balances, December 31</i>	<u>\$713,789</u>	<u>\$180,511</u>	<u>\$894,300</u>

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

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

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,212,728
Miscellaneous	3,103
	<u>1,215,831</u>
<i>Total Operating Cash Receipts</i>	<i>1,215,831</i>
<b>Operating Cash Disbursements</b>	
Personal Services	169,944
Employee Fringe Benefits	79,019
Contractual Services	330,602
Supplies and Materials	72,406
	<u>651,971</u>
<i>Total Operating Cash Disbursements</i>	<i>651,971</i>
<i>Operating Income</i>	<i>563,860</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	112,683
Other Debt Proceeds	675,553
Capital Outlay	(1,022,068)
Principal Retirement	(243,814)
Interest and Other Fiscal Charges	(153,782)
	<u>(631,428)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(631,428)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(67,568)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,551,600</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,484,032</i>

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



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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$104,187		\$104,187
Municipal Income Tax	587,162		587,162
Intergovernmental	92,196	\$141,531	233,727
Special Assessments	3,199		3,199
Charges for Services	2,038		2,038
Fines, Licenses and Permits	38,514	175	38,689
Earnings on Investments	3,822	234	4,056
Miscellaneous	17,142	300	17,442
<i>Total Cash Receipts</i>	<u>848,260</u>	<u>142,240</u>	<u>990,500</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	422,530		422,530
Public Health Services	1,241		1,241
Leisure Time Activities	40,485	764	41,249
Community Environment	36,183		36,183
Transportation		70,010	70,010
General Government	236,200		236,200
Capital Outlay	94,342	24,860	119,202
<i>Total Cash Disbursements</i>	<u>830,981</u>	<u>95,634</u>	<u>926,615</u>
<i>Excess of Receipts Over Disbursements</i>	<u>17,279</u>	<u>46,606</u>	<u>63,885</u>
<b>Other Financing Receipts (Disbursements):</b>			
Sale of Capital Assets	3,340		3,340
Transfers Out	(40,000)		(40,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(36,660)</u>		<u>(36,660)</u>
<i>Net Change in Fund Cash Balances</i>	(19,381)	46,606	27,225
<i>Fund Cash Balances, January 1</i>	<u>993,917</u>	<u>176,234</u>	<u>1,170,151</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		219,937	219,937
Committed		2,903	2,903
Assigned	644,674		644,674
Unassigned	329,862		329,862
<i>Fund Cash Balances, December 31</i>	<u>\$974,536</u>	<u>\$222,840</u>	<u>\$1,197,376</u>

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

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

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,202,350
Miscellaneous	2,571
	<u>1,204,921</u>
<i>Total Operating Cash Receipts</i>	<u>1,204,921</u>
<b>Operating Cash Disbursements</b>	
Personal Services	173,113
Employee Fringe Benefits	77,488
Contractual Services	296,550
Supplies and Materials	60,865
	<u>608,016</u>
<i>Total Operating Cash Disbursements</i>	<u>608,016</u>
<i>Operating Income</i>	<u>596,905</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	328,000
Other Debt Proceeds	653,253
Capital Outlay	(1,129,561)
Principal Retirement	(224,085)
Interest and Other Fiscal Charges	(122,756)
	<u>(495,149)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(495,149)</u>
<i>Income before Transfers</i>	101,756
Transfers In	40,000
	<u>141,756</u>
<i>Net Change in Fund Cash Balances</i>	<u>141,756</u>
<i>Fund Cash Balances, January 1</i>	<u>1,409,844</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,551,600</u></u>

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

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Gibsonburg, Sandusky County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services, fire protection, and emergency medical services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in a public entity risk pool and a joint venture. Notes 8 and 9 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool

The Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

Joint Venture

The Gibsonburg-Madison Township Volunteer Fire Department was created to provide fire protection services.

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

**B. Accounting Basis**

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

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

**C. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**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. The Village had the

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

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.

Permissive Motor Vehicle License Tax Fund – This fund receives permissive motor vehicle license tax monies distributed from the County for constructing, maintaining, and repairing Village streets.

**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 Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Clearview Industrial Park Fund - This fund received a loan from OWDA to cover costs of the Clearview Industrial Park project.

Northwest Quadrant Water Main Transmission Loan Fund - This fund received a loan from OWDA to cover costs of the Northwest Quadrant Water Main Replacement project.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when

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

individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

**E. 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 GIBSONBURG  
SANDUSKY COUNTY**

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

**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. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	\$105,752	\$71,088
Certificates of deposit	805,396	800,753
Other time deposits (savings and NOW accounts)	1,467,184	1,877,135
Total deposits	\$2,378,332	\$2,748,976

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

**3. Budgetary Activity**

Due to GASB Statement No. 54, the Economic Development and Park Improvement Funds are included in the General Fund for financial reporting purposes and are included in the Special Revenue Funds on a budgetary basis. For 2013 and 2012 transfers from the General Fund to the Economic Development Fund in the amount of \$123,821 and \$65,020 respectively, were eliminated in the financial statements but are included in the budgetary presentation.

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$843,584	\$848,947	\$5,363
Special Revenue	355,354	341,003	(14,351)
Enterprise	2,072,978	2,004,067	(68,911)
Total	\$3,271,916	\$3,194,017	(\$77,899)

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

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,076,000	\$906,832	\$169,168
Special Revenue	853,080	595,835	257,245
Enterprise	2,911,325	2,125,093	786,232
Total	<u>\$4,840,405</u>	<u>\$3,627,760</u>	<u>\$1,212,645</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$811,940	\$828,912	\$16,972
Special Revenue	229,845	229,948	103
Enterprise	2,297,519	2,226,174	(71,345)
Total	<u>\$3,339,304</u>	<u>\$3,285,034</u>	<u>(\$54,270)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$987,852	\$885,539	\$102,313
Special Revenue	659,287	147,096	512,191
Enterprise	2,910,412	2,103,315	807,097
Total	<u>\$4,557,551</u>	<u>\$3,135,950</u>	<u>\$1,421,601</u>

**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.

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2991	\$458,064	7.38%
Ohio Water Development Authority Loan #3895	616,274	3.03%
Ohio Water Development Authority Loan #4629	1,311,351	2.75%
Ohio Water Development Authority Loan #4634	262,676	4.32%
Ohio Water Development Authority Loan #5072	211,495	4.97%
Ohio Water Development Authority Loan #5402	321,262	0.00%
Ohio Water Development Authority Loan #6041	627,718	3.55%
Ohio Water Development Authority Loan #6415	675,553	3.55%
Ohio Public Works Commission #CT14F	54,587	0.00%
Ohio Public Works Commission #CE36F	95,528	0.00%
Ohio Public Works Commission #CE21K	39,199	0.00%
Total	<u>\$4,673,707</u>	

The Ohio Water Development Authority (OWDA) loan 2991 relates to a well field, lines and plant improvement project. The OWDA approved up to \$900,000 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$40,901, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 3895 relates to waste water treatment plan improvements. The OWDA approved up to \$1,069,560 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$35,949, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 4629 relates to the Hurlbut ditch sewer improvements. The OWDA approved up to \$1,789,754 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$58,470, including interest, over 18 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 4634 relates to the Yeasting Road waterline replacement. The OWDA approved up to \$290,243 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$12,942, including interest, over 18 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 5072 relates to Main St. Waterline Project. The OWDA approved up to \$234,810 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$8,284, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 5402 relates to Eastside Combined Sewer



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**NOTES TO THE FINANCIAL STATEMENTS  
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Separation Project. The OWDA approved up to \$477,319 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$9,735, including interest, over 30 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 6041 relates to the Northwest Quadrant Water Main Replacement project. The OWDA has agreed to loan the Village \$667,387. The Village will repay the loan in semiannual installments of \$17,421, including interest, over 30 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 6415 relates to the Clearview Industrial Park Sewer Project. OWDA has agreed to loan the Village \$680,916. The Village will repay the loan in semiannual installments over 30 years. The loan is still in open status; therefore no amortization schedule is available at this time. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan CT14F relates to waste water treatment plan improvements. The OPWC approved up to \$99,249 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$2,481 over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loan CE36F relates to waste water treatment plan improvements. The OPWC approved up to \$173,686 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$4,342 over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loan CE21K relates to Hurlbut Ditch Waterline Relocation Project. The OPWC approved up to \$54,068 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$1,352 over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

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

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

Year ending December 31:	OWDA Loan #2991	OWDA Loan #3895	OWDA Loan #4629	OWDA Loan #4634	OWDA Loan #5072
2014	\$81,802	\$71,897	\$116,940	\$25,883	\$16,567
2015	81,802	71,897	116,940	25,883	16,567
2016	81,802	71,897	116,940	25,883	16,567
2017	81,802	71,897	116,940	25,883	16,567
2018	81,802	71,897	116,940	25,883	16,567
2019-2023	204,345	359,483	584,700	129,417	82,836
2024-2028			409,291	90,592	82,836
2029-2033					82,836
2034-2038					8,283
2039-2043					
Total	<u>\$613,355</u>	<u>\$718,968</u>	<u>\$1,578,691</u>	<u>\$349,424</u>	<u>\$339,626</u>

Year ending December 31:	OWDA Loan #5402	OWDA Loan #6041	OPWC Loan #CT14F	OPWC Loan #CE36F	OPWC Loan CE21K
2014	\$19,470	\$34,842	\$4,962	\$8,684	\$2,703
2015	19,470	34,842	4,962	8,684	2,703
2016	19,470	34,842	4,962	8,684	2,703
2017	19,470	34,842	4,962	8,684	2,703
2018	19,470	34,842	4,962	8,684	2,703
2019-2023	97,353	174,209	24,814	43,422	13,518
2024-2028	97,353	174,209	4,963	8,686	12,166
2029-2033	29,206	174,209			
2034-2038		174,209			
2039-2043		139,369			
Total	<u>\$321,262</u>	<u>\$1,010,415</u>	<u>\$54,587</u>	<u>\$95,528</u>	<u>\$39,199</u>

**7. Retirement Systems**

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

**8. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 1, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and net position at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$21,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

<b><u>Contributions to PEP</u></b>	
<b><u>2012</u></b>	<b><u>2013</u></b>
\$29,465	\$30,233

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

**9. Joint Ventures**

The Gibsonburg-Madison Township Volunteer Fire Department is managed by Madison Township and the Village of Gibsonburg. The Village maintains the fire department garage and pays the utilities. Madison Township has a levy to purchase a fire truck and pays the insurance on the trucks. The Township also pays all operating invoices and bills the Village for 50% of their costs which were \$14,282 during 2013 and \$9,870 during 2012.



# Dave Yost • Auditor of State

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

Village of Gibsonburg  
Sandusky County  
120 North Main Street  
Gibsonburg, Ohio 43431-1106

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 Village of Gibsonburg, Sandusky County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 28, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***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*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 28, 2014

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness**

**Financial Reporting**

The Village's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements that resulted in thirty audit adjustments and unadjusted differences ranging in amounts from \$50 to \$675,553. The most significant adjustments were as follows:

- Assigned fund balance within the General Fund was improperly accounted for as Unassigned (\$289,833 – 2013) (\$579,654 – 2012);
- Assigned fund balance within the General Fund was improperly accounted for as Committed (\$40,838 – 2013);
- County Permissive Taxes were posted as Taxes rather than Intergovernmental Revenue within the Permissive Motor Vehicle License Tax fund (\$13,000 – 2013) (\$13,084 – 2012);
- Intergovernmental receipts were posted as Miscellaneous within the Water Operating fund (\$41,647 – 2013) (\$18,998 – 2012);
- OPWC reimbursement for interest paid on an OWDA loan was improperly accounted for twice within the Water Operating fund and in the Northwest Quadrant Water Main Transmission Loan fund (\$38,485 – 2013);
- Debt Proceeds were improperly accounted for as Capital Contributions within the Clearview Industrial Park fund (\$675,553 – 2013);
- Intergovernmental receipts were improperly accounted for as Capital Contributions within the Water and WWTPC SCADA System and Replacement fund (\$71,198 – 2013);
- A portion of debt proceeds were improperly accounted for as Miscellaneous revenues within the Water Operating fund (\$34,483 – 2012);
- Debt proceeds and Capital Outlay expenditures were improperly accounted for twice in the Water Operating fund and in the Northwest Quadrant Water Main Transmission Loan fund (\$34,483 – 2012); and
- Intergovernmental receipts were improperly accounted for as Other Financing Sources within the Northwest Quadrant Water Main Transmission Loan fund (\$325,000 – 2012).

Additional audit adjustments were made in smaller relative amounts. The accompanying financial statements have been adjusted to correct these errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the

Village should adopt policies and procedures, including a final review of the annual report by the Fiscal Officer and Council to identify and correct errors, omissions, and misclassifications. The Fiscal Officer should also review the UAN chart of accounts and the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements. .

**Officials' Response:**

We did not receive a response from Officials to this finding.



VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Material weakness due to errors in financial reporting.	No	Not corrected and repeated in this report as finding 2013-001.

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# Dave Yost • Auditor of State

**VILLAGE OF GIBSONBURG**

**SANDUSKY 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  
NOVEMBER 13, 2014**