



Dave Yost • Auditor of State

VILLAGE OF GIBSONBURG
SANDUSKY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2015	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings	24

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Gibsonburg
Sandusky County
526 North Webster Street
Gibsonburg, Ohio 43431-1044

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 Gibsonburg, Sandusky County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 (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 Section 117.38 and Ohio Administrative Code Section 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, 2015 and 2014, 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, 2015 and 2014, 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 February 6, 2017, 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

February 6, 2017

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, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$96,256	\$13,053		\$109,309
Municipal Income Tax	615,911			615,911
Intergovernmental	76,310	154,306		230,616
Special Assessment	6,194			6,194
Charges for Services	5,992			5,992
Fines, Licenses and Permits	34,953			34,953
Earnings on Investments	8,136			8,136
Miscellaneous	27,859	39,596		67,455
<i>Total Cash Receipts</i>	<u>871,611</u>	<u>206,955</u>	<u></u>	<u>1,078,566</u>
Cash Disbursements				
Current:				
Security of Persons and Property	429,620			429,620
Public Health Services	1,155			1,155
Leisure Time Activities	63,548	4,779		68,327
Community Environment	97			97
Transportation		93,539		93,539
General Government	257,360	17,262		274,622
Capital Outlay	115,463	98,327	\$56,180	269,970
Debt Service:				
Principal Retirement	14,490			14,490
Interest and Fiscal Charges	21,658			21,658
<i>Total Cash Disbursements</i>	<u>903,391</u>	<u>213,907</u>	<u>56,180</u>	<u>1,173,478</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(31,780)</u>	<u>(6,952)</u>	<u>(56,180)</u>	<u>(94,912)</u>
Other Financing Receipts				
Sale of Notes			300,000	300,000
Sale of Capital Assets	1,000			1,000
<i>Total Other Financing Receipts</i>	<u>1,000</u>	<u></u>	<u>300,000</u>	<u>301,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(30,780)</u>	<u>(6,952)</u>	<u>243,820</u>	<u>206,088</u>
<i>Fund Cash Balances, January 1</i>	<u>529,113</u>	<u>193,631</u>	<u></u>	<u>722,744</u>
Fund Cash Balances, December 31				
Restricted		160,755	243,820	404,575
Committed		25,924		25,924
Assigned	183,150			183,150
Unassigned	315,183			315,183
<i>Fund Cash Balances, December 31</i>	<u>\$498,333</u>	<u>\$186,679</u>	<u>\$243,820</u>	<u>\$928,832</u>

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,236,402
Miscellaneous	2,314
	<u>1,238,716</u>
Operating Cash Disbursements	
Personal Services	190,797
Employee Fringe Benefits	83,970
Contractual Services	319,032
Supplies and Materials	75,041
	<u>668,840</u>
<i>Total Operating Cash Receipts</i>	<u>1,238,716</u>
<i>Total Operating Cash Disbursements</i>	<u>668,840</u>
<i>Operating Income</i>	<u>569,876</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	3,000
Other Debt Proceeds	243,069
Capital Outlay	(375,394)
Principal Retirement	(264,048)
Interest and Other Fiscal Charges	(120,997)
	<u>(514,370)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(514,370)</u>
<i>Net Change in Fund Cash Balances</i>	55,506
<i>Fund Cash Balances, January 1</i>	<u>1,372,027</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,427,533</u></u>

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

**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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$97,042	\$12,942	\$109,984
Municipal Income Tax	615,958		615,958
Intergovernmental	72,897	129,805	202,702
Special Assessments	7,422		7,422
Charges for Services	5,067		5,067
Fines, Licenses and Permits	44,532	128	44,660
Earnings on Investments	4,710		4,710
Miscellaneous	23,153	1,398	24,551
	<u>870,781</u>	<u>144,273</u>	<u>1,015,054</u>
Cash Disbursements			
Current:			
Security of Persons and Property	425,937	123	426,060
Public Health Services	1,141		1,141
Leisure Time Activities	50,035		50,035
Community Environment	165		165
Transportation		98,292	98,292
General Government	271,845	2,761	274,606
Capital Outlay	295,260	29,977	325,237
Debt Service:			
Principal Retirement	7,077		7,077
Interest and Fiscal Charges	10,997		10,997
	<u>1,062,457</u>	<u>131,153</u>	<u>1,193,610</u>
<i>Total Cash Disbursements</i>			
	<u>(191,676)</u>	<u>13,120</u>	<u>(178,556)</u>
Other Financing Receipts			
Sale of Capital Assets	7,000		7,000
	<u>(184,676)</u>	<u>13,120</u>	<u>(171,556)</u>
<i>Net Change in Fund Cash Balances</i>			
	<u>713,789</u>	<u>180,511</u>	<u>894,300</u>
Fund Cash Balances, December 31			
Restricted		190,379	190,379
Committed		3,252	3,252
Assigned	343,922		343,922
Unassigned	185,191		185,191
	<u>\$529,113</u>	<u>\$193,631</u>	<u>\$722,744</u>
<i>Fund Cash Balances, December 31</i>			

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,228,798
Miscellaneous	3,952
<i>Total Operating Cash Receipts</i>	<i>1,232,750</i>
Operating Cash Disbursements	
Personal Services	189,614
Employee Fringe Benefits	82,526
Contractual Services	351,396
Supplies and Materials	81,340
<i>Total Operating Cash Disbursements</i>	<i>704,876</i>
<i>Operating Income</i>	<i>527,874</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	3,000
Other Debt Proceeds	49,996
Capital Outlay	(308,011)
Principal Retirement	(255,212)
Interest and Other Fiscal Charges	(129,652)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(639,879)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(112,005)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,484,032</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,372,027</i>

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, 2015 AND 2014**

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, Ohio (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, and police services. The Village is within the boundaries of Madison Township, which supports and covers fire protection, and emergency medical services for the Village residents.

The Village participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity. The organization is:

Public Entities Pool of Ohio (PEP) - A risk-sharing pool providing underwriting, claims, loss control, risk management, and reinsurance services to Ohio governments.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. 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.

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.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

3. Capital Project Fund

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following Capital Project Fund:

Complex Building Construction Fund – This fund receives proceeds of bond anticipation notes. The proceeds are being used to construct a new municipal building.

4. 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.

Refuse Fund - This fund receives charges for services from residents to cover refuse service costs.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

VILLAGE OF GIBSONBURG
SANDUSKY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

A summary of 2015 and 2014 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.

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.

**VILLGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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:

	2015	2014
Demand deposits	\$1,208,073	\$143,897
Certificates of deposit		804,876
Other time deposits (savings and NOW accounts)	1,148,292	1,145,998
Total deposits	\$2,356,365	\$2,094,771

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

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$882,350	\$872,611	(\$9,739)
Special Revenue	184,825	206,955	22,130
Capital Projects	300,000	300,000	
Enterprise	1,525,658	1,484,785	(40,873)
Total	\$2,892,833	\$2,864,351	(\$28,482)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,548,255	\$903,391	\$644,864
Special Revenue	336,180	213,907	122,273
Capital Projects		172,325	(172,325)
Enterprise	2,522,558	1,519,833	1,002,725
Total	\$4,406,993	\$2,809,456	\$1,597,537

**VILLGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$894,750	\$877,781	(\$16,969)
Special Revenue	143,975	144,273	298
Enterprise	1,554,214	1,285,746	(268,468)
Total	\$2,592,939	\$2,307,800	(\$285,139)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,466,748	\$1,098,711	\$368,037
Special Revenue	290,673	131,155	159,518
Enterprise	2,482,587	1,419,133	1,063,454
Total	\$4,240,008	\$2,648,999	\$1,591,009

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects fund by \$172,325 and appropriations exceeded estimated resources in the General fund by \$173,047, for the year ended December 31, 2015.

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.

Income tax collections as of December 31, 2015 and 2014 were \$615,911 and \$615,958, respectively.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

**VILLGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2991	\$358,711	7.38%
Ohio Water Development Authority Loan #3895	507,383	3.03%
Ohio Water Development Authority Loan #4629	1,146,228	2.75%
Ohio Water Development Authority Loan #4634	232,649	4.32%
Ohio Water Development Authority Loan #5072	198,924	4.97%
Ohio Water Development Authority Loan #5402	282,321	0.00%
Ohio Water Development Authority Loan #6041	601,925	3.55%
Ohio Water Development Authority Loan #6415	676,658	3.15%
Ohio Public Works Commission #CT14F	44,662	0.00%
Ohio Public Works Commission #CE36F	78,159	0.00%
Ohio Public Works Commission #CE21K	33,793	0.00%
Ohio Public Works Commission #CE39P	65,601	0.00%
Ohio Public Works Commission #CE30R	270,286	0.00%
Municipal Complex Improvement Notes, Series 2015	300,000	4.00%
Total	<u><u>\$4,797,300</u></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 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 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 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 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 loan 5402 relates to Eastside Combined Sewer 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.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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. The OWDA has agreed to loan the Village \$680,916. The Village will repay the loan in semiannual installments of \$18,074, 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 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 the Hulbut 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.

The Ohio Public Works Commission (OPWC) loan CE39P relates to the Water and Wastewater Plant Scada System Project. The OPWC approved up to \$71,305 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$1,426 over 25 years. The loan is collateralized by water and 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 CE30R relates to the WWTP Ltcp Improvements Project. The OPWC approved up to \$270,286 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$4,505 over 30 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

Municipal Complex Improvement Notes, Series 2015 were issued October 7, 2015 with a final maturity date of October 6, 2016 when the Fifth Third Bank Bonds will be issued. The \$300,000 in Notes purchased by the Village (in anticipation of the bonds) are for the purpose of paying costs of acquiring, renovating, remodeling, equipping, furnishing and improving a building to serve as a municipal complex. The bonds will be dated September 1, 2016, payable in annual installments over 20 years.

**VILLGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Year ending December 31:	OWDA Loan #2991	OWDA Loan #3895	OWDA Loan #4629	OWDA Loan #4634	OWDA Loan #5072
2016	\$66,464	\$71,669	\$116,940	\$24,767	\$13,673
2017	71,547	71,766	116,940	25,203	14,720
2018	73,556	71,784	116,940	25,257	14,790
2019	75,712	71,802	116,940	25,314	14,863
2020	78,027	71,821	116,940	25,372	14,940
2021-2025	39,614	215,581	584,701	127,839	75,998
2026-2030			175,410	38,706	78,593
2031-2035					56,940
Total	<u>\$404,920</u>	<u>\$574,423</u>	<u>\$1,344,811</u>	<u>\$292,458</u>	<u>\$284,517</u>

Year ending December 31:	OWDA Loan #5402	OWDA Loan #6041	OWDA Loan #6415	OPWC Loan #CT14F	OPWC Loan #CE36F
2016	\$19,470	\$34,842	\$36,148	\$4,962	\$8,684
2017	19,470	34,842	36,148	4,962	8,684
2018	19,470	34,842	36,148	4,962	8,684
2019	19,470	34,842	36,148	4,962	8,684
2020	19,471	34,842	36,148	4,962	8,684
2021-2025	97,353	174,209	180,739	19,852	34,739
2026-2030	87,617	174,209	180,739		
2031-2035		174,209	180,739		
2036-2040		174,409	180,739		
2041-2045		69,685	126,518		
Total	<u>\$282,321</u>	<u>\$940,931</u>	<u>\$1,030,214</u>	<u>\$44,662</u>	<u>\$78,159</u>

Year ending December 31:	OPWC Loan #CE21K	OPWC Loan #CE39P	OPWC Loan #CE30R	Municipal Complex Improvement Notes
2016	\$2,703	\$2,852	\$9,010	\$312,000
2017	2,703	2,852	9,010	
2018	2,703	2,852	9,010	
2019	2,703	2,852	9,010	
2020	2,703	2,852	9,010	
2021-2025	13,517	14,261	45,048	
2026-2030	6,760	14,261	45,047	
2031-2035		14,261	45,047	
2036-2040		8,558	45,047	
2041-2045			45,047	
Total	<u>\$33,792</u>	<u>\$65,601</u>	<u>\$270,286</u>	<u>\$312,000</u>

**VILLGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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 10.75% for January through June of 2014, 11.5% for July 2014 through June 2015, and 12.25% for July through December 2015. The Village contributed to OP&F an amount equaling 19.5% of full-time police members' wages. For 2015 and 2014, 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, 2015.

8. RISK MANAGEMENT

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

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. 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 York. 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 31, 2015, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

**VILLGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$22,000.

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.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$32,200	\$34,222

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 the withdrawal.

9. COMPLIANCE

Contrary to Ohio Rev. Code § 5705.12, the Village established an Economic Development Industrial Park Fund (2901) and a Park Improvement Fund (2908). However, no resolution or ordinance could be provided to document the source and use of the funds, and there was no documentation found that proper authorization of these funds was given by the Auditor of State.

10. MISCELLANEOUS REVENUES

During 2015, the Village had miscellaneous revenues in the Special Revenue funds totaling \$39,596. This consists primarily of contributions and donations for the Veteran's Memorial.

11. COMMITMENTS

The Village utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Village's commitments for encumbrances at December 31 were as follows:

VILLGE OF GIBSONBURG
SANDUSKY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

<u>Fund Type</u>	2015 <u>Encumbrances</u>	2014 <u>Encumbrances</u>
General fund	\$ -	\$ 36,254
Capital Projects fund	116,145	-
Enterprise fund	<u>90,554</u>	<u>21,382</u>
Total	<u>\$ 206,699</u>	<u>\$ 57,636</u>

This page intentionally left blank.



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
526 North Webster Street
Gibsonburg, Ohio 43431-1044

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 Gibsonburg, Sandusky County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2017 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.

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 2015-001 and 2015-004 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-002 through 2015-004.

Entity's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 6, 2017

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness

Financial Reporting

The Village's management is responsible for the fair presentation of the financial statements. GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. Additionally, appropriations approved by Council should agree to the amounts posted to the accounting system. Errors were noted in the financial statements, resulting in several audit adjustments such as the following:

- Unassigned fund balance in the General fund was improperly accounted for as Restricted in 2015 in the amount of \$146,425;
- Unassigned fund balance in the General fund was improperly accounted for as Committed in 2014 in the amount of \$185,191;
- Appropriations posted to the appropriation ledger did not agree with the appropriations adopted by Council during 2015, as follows:

Fund	Appropriation Authority	UAN System	Variance
General	\$1,336,255	\$1,036,255	\$300,000
Capital Projects		300,000	(300,000)

These errors are a result of inadequate policies and procedures over reviewing the financial statements and monitoring budgetary information. Failure to complete accurate financial statements and budgetary information could lead to Council making misinformed decisions. Additional audit adjustments were made in smaller relative amounts for additional reasons. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help 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 statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook and Audit Bulletin 2014-004 for information on GASB Statement No. 54, to ensure that all accounts are being properly posted to the financial statements.

Officials' Response:

The 2015 Unassigned Fund of \$146,425 was the Economic Development Fund which is to be transferred to the General Fund as of December 31, 2016.

Unassigned fund of \$185,191 for 2014 was the Economic Development – Industrial Park Fund and the Park Improvement Fund for 2015. These are being transferred to the General Fund as of December 31, 2016.

Appropriations posted to the ledger did not agree because the Capital Projects fund was separated out from the General Fund in error. As of December 31, 2016, the Capital Projects Fund has a remaining balance of \$674.44, which will be appropriated, expended, and closed out in 2017.

The Fiscal Officer will review the necessary procedures to make sure any new Fund accounts are set up properly, including proper authority from State and Village Council approval, and Budgeted, Appropriated, and expended according to intent of use.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 5705.39 provides that the total appropriation from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For the purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

During 2015, appropriations exceeded estimated resources in the General Fund by \$173,047.

Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending. Appropriations should have been reduced to the level of the resources available for appropriation.

To reduce the possibility of appropriations exceeding estimated resources, we recommend the Village Council monitor appropriations and estimated resources throughout the year to ensure appropriations do not exceed the amount of estimated resources. We also recommend the Village Council monitor the budgetary activity of the Village and either approve supplemental appropriations and send them to the County Auditor, or obtain increased amended certificates of estimated resources in order to stay in compliance with Ohio law.

Officials' Response:

Since the Capital Improvement Fund was not set up distinctly from the General Fund, the appropriations did exceed estimated resources. However the Budgeted Revenue of a \$300,000 BAN was in the Capital Improvement Fund to cover the appropriations. The Capital Improvement Fund will be closed out during 2017 when the final \$674.77 is appropriated and expended.

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

During 2015, expenditures and contract commitments exceeded appropriations by \$172,325 within the Capital Project fund.

This error was a result of inadequate policies and procedures in reviewing budgetary information. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, resulting in deficit spending practices.

The Fiscal Officer should certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

Expenditures and commitments exceeded appropriations due to the separation of the Capital Improvement Fund (instead of the General Fund). The Capital Improvement Fund is now down to \$674.77 as of December 31, 2016, and will be appropriated and expended to close out during 2017.

FINDING NUMBER 2015-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.12 provides that, in addition to the funds provided for by sections 5705.09, 5705.121, 5705.13, and 5705.131 of the Rev. Code, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds. The auditor of state shall consult with the tax commissioner before approving such funds.

In a previous year, the Village established an Economic Development Industrial Park Fund (2901) and a Park Improvement Fund (2908). However, no resolution or ordinance could be provided to document the source and use of the funds, and there was no documentation found that proper authorization of these funds was given by the Auditor of State.

During 2014, these funds were combined into the General Fund and therefore had no effect on the financial statements.

During 2015, the Economic Development Industrial Park Fund (2901) was incorrectly accounted for as a Special Revenue Fund (Beginning Fund Balance of \$179,713; Revenues of \$22,917, and Expenditures of \$56,205) and the Park Improvement Fund (2908) was incorrectly accounted for as a Special Revenue Fund (Beginning Fund Balance of \$5,478; Revenues of \$9,166, and Expenditures of \$6,518).

These errors are a result of inadequate policies and procedures over reviewing the financial statements and resulted in audit adjustments to the accompanying financial statements, notes to the financial statements, and accounting records to correct these errors.

To help 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 statements and notes by the Fiscal Officer and Council to identify and correct errors and omissions. The Fiscal Officer should also review Audit Bulletin 1999-006 for information on obtaining authorization from the Auditor of State before any new funds, not provided by the sections listed above, are established.

Officials' Response:

Since the Economic Development Industrial Park Fund and Park Improvement Funds were established by the Village over 20 years ago without proper documentation, we are transferring those balances into the General Fund as of December 31, 2016. Once proof of the transfer has been accepted, the Village council will prepare the necessary Ordinance(s) and / or Resolution(s) to apply to the State for permission to re-establish the Funds that the Village prefers to use to distinguish the scope of what they are trying to accomplish. Each Fund has its own revenue stream and has / will have its own expenditures.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material weakness due to errors in financial reporting.	Partially corrected. Repeated in this report as finding #2015-001.	<p>New Fiscal Officer was unfamiliar with the fund balance classification.</p> <p>The Fiscal Officer will review the necessary procedures to make sure any new Fund accounts are set up properly, including proper authority from State and Village Council approval, and Budgeted, Appropriated, and expended according to intent of use.</p> <p>The Fiscal Officer will ensure these are accounted for correctly in the future.</p>



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
FEBRUARY 23, 2017