



Dave Yost • Auditor of State



VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2017 .....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type – For the Year Ended December 31, 2017 .....	4
Notes to the Financial Statements – For the Year Ended December 31, 2017 .....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2016 .....	15
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type – For the Year Ended December 31, 2016 .....	16
Notes to the Financial Statements – For the Year Ended December 31, 2016 .....	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27
Schedule of Findings.....	29
Summary Schedule of Prior Audit Findings (Prepared by Management).....	31

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# 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, 2017 and 2016.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Gibsonburg, Sandusky County, Ohio as of December 31, 2017 and 2016, 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, 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

November 27, 2018

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$95,795	\$11,933		\$107,728
Municipal Income Tax	628,291			628,291
Intergovernmental	73,053	138,391		211,444
Special Assessments	4,173			4,173
Charges for Services	4,765	3,570		8,335
Fines, Licenses and Permits	26,214	10,299		36,513
Earnings on Investments	4,551			4,551
Miscellaneous	34,991	8,529		43,520
<i>Total Cash Receipts</i>	<u>871,833</u>	<u>172,722</u>		<u>1,044,555</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	472,363			472,363
Public Health Services	1,044			1,044
Leisure Time Activities	55,524	7,574		63,098
Community Environment	170			170
Transportation		73,225		73,225
General Government	293,014	35,513		328,527
Capital Outlay	39,400	108,415	\$675	148,490
Debt Service:				
Principal Retirement	20,000	25,425	200,000	245,425
Interest and Fiscal Charges	3,518	22,482		26,000
<i>Total Cash Disbursements</i>	<u>885,033</u>	<u>272,634</u>	<u>200,675</u>	<u>1,358,342</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(13,200)</u>	<u>(99,912)</u>	<u>(200,675)</u>	<u>(313,787)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes			200,000	200,000
Transfers In		194,117		194,117
Transfers Out	(194,117)			(194,117)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(194,117)</u>	<u>194,117</u>	<u>200,000</u>	<u>200,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(207,317)</u>	<u>94,205</u>	<u>(675)</u>	<u>(113,787)</u>
<i>Fund Cash Balances, January 1</i>	<u>559,521</u>	<u>207,842</u>	<u>\$675</u>	<u>768,038</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		282,383		282,383
Committed		19,664		19,664
Assigned	84,363			84,363
Unassigned	267,841			267,841
<i>Fund Cash Balances, December 31</i>	<u>\$352,204</u>	<u>\$302,047</u>		<u>\$654,251</u>

See accompanying notes to the basic financial statements

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**Proprietary Fund Type**  
*For the Year Ended December 31, 2017*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,312,766
Miscellaneous	10,513
	1,323,279
<i>Total Operating Cash Receipts</i>	<i>1,323,279</i>
<b>Operating Cash Disbursements</b>	
Personal Services	213,255
Employee Fringe Benefits	92,728
Contractual Services	365,565
Supplies and Materials	65,433
	736,981
<i>Total Operating Cash Disbursements</i>	<i>736,981</i>
<i>Operating Income</i>	<i>586,298</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	115,038
Other Debt Proceeds	10,887
Capital Outlay	(391,720)
Principal Retirement	(322,945)
Interest and Other Fiscal Charges	(94,161)
	(682,901)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(682,901)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(96,603)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,418,646</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,322,043</i>

*See accompanying notes to the basic financial statements*



**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 1 - Reporting Entity**

The Village of Gibsonburg (the Village), Sandusky County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Public Entity Risk Pool***

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Economic Development-Industrial Park Fund*** The economic development-industrial park fund accounts for and reports lease and rental income and general fund transfers that are restricted for the construction, maintenance, and repair of the industrial park.

***Capital Project Funds*** These funds account 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 significant Capital Project Fund:

***Other Capital Projects Fund*** The other capital projects fund accounts for and reports funds from the rollover of a one year bond anticipation note, that was originally used to pay for administration building improvements, with principal and interest payments shared by the general, street, water and sewer funds.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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

**Water Operating Fund** The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Operating Fund** The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Sewer Improvement Additions Fund** The sewer improvement additions fund receives charges for services from residents and commercial users to cover sewer improvements within the Village.

***Basis of Accounting***

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**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.

**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.

**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.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
(Continued)

**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.

**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:

**Nonspendable** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**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.

**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.

**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.

**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.

**Note 3 - Budgetary Activity**

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,008,489	\$871,833	(\$136,656)
Special Revenue	184,025	366,839	182,814
Capital Projects	325,926	200,000	(125,926)
Enterprise	1,324,750	1,449,204	124,454
Total	\$2,843,190	\$2,887,876	\$44,686

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,213,089	\$1,082,813	\$130,276
Special Revenue	480,993	272,852	208,141
Capital Projects	200,675	200,675	
Enterprise	2,647,667	1,547,575	1,100,092
Total	\$4,542,424	\$3,103,915	\$1,438,509

**Note 4 – 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:

	2017
Demand deposits	\$16,593
Certificates of deposit	500,000
Other time deposits (savings and NOW accounts)	1,459,701
Total deposits	\$1,976,294

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

At December 31, 2017, \$29,757 of the Village's bank balance of \$2,001,875 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

**Note 5 – Taxes**

***Property Taxes***

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.

***Income Taxes***

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.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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.

**Note 6 – Interfund Transfers**

In 2017, Village Council made a request to the Local Government Services of the State Auditor's Office to re-establish the Economic Development-Industrial Park Fund in the amount of \$163,207, and to re-establish the Park Improvement Fund in the amount of \$7,432 in order to distinguish their use from the day to day operations of the Village. Their request was granted so the Village Council approved the transfer of those amounts back out of the General Fund. An additional transfer was made from the General Fund to the Economic Development-Industrial Park Fund in the amount of \$23,478.

**Note 7 - Risk Management**

***Risk Pool Membership***

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, 2017, 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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

<b><u>2017 Contributions to PEP</u></b> \$34,495
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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.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 10 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2991	\$243,970	7.38%
Ohio Water Development Authority Loan #3895	391,742	3.03%
Ohio Water Development Authority Loan #4629	971,835	2.75%
Ohio Water Development Authority Loan #4634	199,943	4.32%
Ohio Water Development Authority Loan #5072	185,056	4.97%
Ohio Water Development Authority Loan #5402	243,380	0.00%
Ohio Water Development Authority Loan #6041	574,252	3.55%
Ohio Water Development Authority Loan #6415	646,283	3.15%
Ohio Public Works Commission Loan #CT14F	34,737	0.00%
Ohio Public Works Commission Loan #CE36F	60,790	0.00%
Ohio Public Works Commission Loan #CE21K	28,386	0.00%
Ohio Public Works Commission Loan #CE39P	59,896	0.00%
Ohio Public Works Commission Loan #CE30R	252,267	0.00%
Ohio Public Works Commission Loan #CE22T	12,593	0.00%
Bond Anticipation Note - Fifth Third Bank	200,000	3.99%
Total	<u>\$4,105,130</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 plant 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

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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. 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 plant 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 plant 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.

The Ohio Public Works Commission (OPWC) loan CE22T relates to the Stone Drive Sanitary Sewer. The OPWC approved up to \$12,592 in loans to the Village for this project. The loan will be repaid in full in December, 2018. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

Municipal Complex Improvement Bond Anticipation Note (BAN) was issued October 7, 2017 with a maturity date of October 6, 2018 when the Fifth Third Bank BAN will be renewed. The original \$300,000 note issued by the Village was for the purpose of paying costs of acquiring, renovating, remodeling, equipping, furnishing and improving a building to serve as a municipal complex.



**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
(Continued)

**Amortization**

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
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	39,613	71,840	116,940	25,434	15,021
2022		71,860	116,940	25,498	15,106
2023-2027		71,881	526,230	115,613	76,960
2028-2032					79,823
2033-2036					24,619
Total	\$266,908	\$430,988	\$1,110,930	\$242,488	\$256,122

Year Ending December 31:	OWDA Loan #5402	OWDA Loan #6041	OWDA Loan #6415	OPWC Loan #CT14F	OPWC Loan #CE36F
2018	\$19,470	\$34,842	\$36,148	\$4,962	\$8,684
2019	19,471	34,842	36,148	4,963	8,684
2020	19,470	34,842	36,148	4,962	8,685
2021	19,470	34,842	36,148	4,963	8,684
2022	19,471	34,842	36,148	4,962	8,684
2023-2027	97,352	174,209	180,739	9,925	17,369
2028-2032	48,676	174,209	180,739		
2033-2037		174,210	180,739		
2038-2042		174,209	180,739		
2043-2044			54,222		
Total	\$243,380	\$871,047	\$957,918	\$34,737	\$60,790

Year Ending December 31:	OPWC Loan #CE21K	OPWC Loan #CE39P	OPWC Loan #CE30R	OPWC Loan #CE22T	Municipal Complex Improvement Notes
2018	\$2,704	\$2,852	\$9,010	\$210	\$207,980
2019	2,703	2,852	9,009	420	
2020	2,703	2,852	9,010	420	
2021	2,704	2,852	9,009	420	
2022	2,703	2,853	9,010	419	
2023-2027	13,517	14,261	45,047	2,099	
2028-2032	1,352	14,261	45,048	2,099	
2033-2037		14,261	45,048	2,099	
2038-2042		2,852	45,048	2,099	
2043-2047			27,028	2,098	
2048				210	
Total	\$28,386	\$59,896	\$252,267	\$12,593	\$207,980

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 11 – Subsequent Events**

On October 5, 2018, the Village Issued \$150,000 in municipal complex improvement bond anticipation notes with Fifth Third Bank. The notes have an interest rate of 3.99 percent and mature on October 4, 2019.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$94,618	\$13,197		\$107,815
Municipal Income Tax	721,746			721,746
Intergovernmental	73,448	127,901		201,349
Special Assessments	4,618			4,618
Charges for Services	9,286			9,286
Fines, Licenses and Permits	40,485	1,040		41,525
Earnings on Investments	3,429			3,429
Miscellaneous	22,724	51,554		74,278
<i>Total Cash Receipts</i>	<u>970,354</u>	<u>193,692</u>		<u>1,164,046</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	448,385	1,805		450,190
Public Health Services	1,064			1,064
Leisure Time Activities	59,582	25,300		84,882
Community Environment	266			266
Transportation		69,725		69,725
General Government	287,170	6,267		293,437
Capital Outlay	56,540	57,326	\$243,145	357,011
Debt Service:				
Principal Retirement	34,950	10,000	250,000	294,950
Interest and Fiscal Charges	25,409	2,106		27,515
<i>Total Cash Disbursements</i>	<u>913,366</u>	<u>172,529</u>	<u>493,145</u>	<u>1,579,040</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>56,988</u>	<u>21,163</u>	<u>(493,145)</u>	<u>(414,994)</u>
<b>Other Financing Receipts</b>				
Sale of Notes			250,000	250,000
Other Financing Sources	4,200			4,200
<i>Total Other Financing Receipts</i>	<u>4,200</u>		<u>250,000</u>	<u>254,200</u>
<i>Net Change in Fund Cash Balances</i>	61,188	21,163	(243,145)	(160,794)
<i>Fund Cash Balances, January 1</i>	<u>498,333</u>	<u>186,679</u>	<u>243,820</u>	<u>928,832</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		196,109	675	196,784
Committed		11,733		11,733
Assigned	170,639			170,639
Unassigned	388,882			388,882
<i>Fund Cash Balances, December 31</i>	<u>\$559,521</u>	<u>\$207,842</u>	<u>\$675</u>	<u>\$768,038</u>

See accompanying notes to the basic financial statements

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**Proprietary Fund Type**  
*For the Year Ended December 31, 2016*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,312,169
Miscellaneous	2,180
	1,314,349
<i>Total Operating Cash Receipts</i>	<i>1,314,349</i>
<b>Operating Cash Disbursements</b>	
Personal Services	204,289
Employee Fringe Benefits	84,257
Contractual Services	311,173
Supplies and Materials	67,353
	667,072
<i>Total Operating Cash Disbursements</i>	<i>667,072</i>
<i>Operating Income</i>	<i>647,277</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	3,000
Capital Outlay	(261,483)
Principal Retirement	(302,328)
Interest and Other Fiscal Charges	(95,353)
	(656,164)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(656,164)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(8,887)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,427,533</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,418,646</i>

*See accompanying notes to the basic financial statements*

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 1 - Reporting Entity**

The Village of Gibsonburg (the Village), Sandusky County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Public Entity Risk Pool***

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Veteran's Memorial Fund*** This fund receives donations to fund construction, improvements, and maintenance of the Veterans Memorial and the Public Safety Service Memorial.

***Capital Project Funds*** These funds account 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 significant Capital Project Fund:

***Other Capital Projects Fund*** The other capital projects fund accounts for and reports funds from the rollover of a one year bond anticipation note, that was originally used to pay for administration building improvements, with principal and interest payments shared by the general, street, water and sewer funds.

***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:

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Water Operating Fund** The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Operating Fund** The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Sewer Improvement Additions Fund** The sewer improvement additions fund receives charges for services from residents and commercial users to cover sewer improvements within the Village.

***Basis of Accounting***

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**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.

**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.

**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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

**Village of Gibsonburg, Ohio**  
Sandusky County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)

**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.

**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:

**Nonspendable** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**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.

**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.

**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.

**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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Other Capital Projects fund by \$116,145 for the year ended December 31, 2016.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 4 - Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$832,750	\$974,554	\$141,804
Special Revenue	237,935	193,692	(44,243)
Capital Projects	250,000	250,000	
Enterprise	1,559,450	1,317,349	(242,101)
Total	\$2,880,135	\$2,735,595	(\$144,540)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,052,155	\$941,711	\$110,444
Special Revenue	537,748	182,038	355,710
Capital Projects	377,000	493,145	(116,145)
Enterprise	2,487,320	1,516,492	970,828
Total	\$4,454,223	\$3,133,386	\$1,320,837

**Note 5 – 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:

	2016
Demand deposits	\$5,810
Certificates of deposit	500,000
Other time deposits (savings and NOW accounts)	1,680,874
Total deposits	\$2,186,684

***Deposits***

Deposits are insured by the Federal Deposit 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.

**Note 6 – Taxes**

***Property Taxes***

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



**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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.

***Income Taxes***

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.

**Note 7 - Risk Management**

***Risk Pool Membership***

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, 2016, 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, 2016.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

<b><u>2016 Contributions to PEP</u></b>
\$35,541

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.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2991	\$303,383	7.38%
Ohio Water Development Authority Loan #3895	450,432	3.03%
Ohio Water Development Authority Loan #4629	1,060,222	2.75%
Ohio Water Development Authority Loan #4634	216,645	4.32%
Ohio Water Development Authority Loan #5072	192,160	4.97%
Ohio Water Development Authority Loan #5402	262,851	0.00%
Ohio Water Development Authority Loan #6041	588,332	3.55%
Ohio Water Development Authority Loan #6415	661,708	3.15%
Ohio Public Works Commission Loan #CT14F	39,700	0.00%
Ohio Public Works Commission Loan #CE36F	69,475	0.00%
Ohio Public Works Commission Loan #CE21K	31,089	0.00%
Ohio Public Works Commission Loan #CE39P	62,749	0.00%
Ohio Public Works Commission Loan #CE30R	261,276	0.00%
Bond Anticipation Note - Fifth Third Bank	250,000	3.52%
Total	<u><u>\$4,450,022</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 plant 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.

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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.

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 plant 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 plant 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 Bond Anticipation Note (BAN) was issued October 7, 2016 with a maturity date of October 6, 2017 when the Fifth Third Bank BAN will be renewed. The original \$300,000 note issued by the Village are for the purpose of paying costs of acquiring, renovating, remodeling,

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

equipping, furnishing and improving a building to serve as a municipal complex.

**Amortization**

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
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	39,613	71,840	116,940	25,434	15,021
2022-2026		143,741	584,700	128,190	76,467
2027-2031			58,470	12,921	79,193
2032-2036					40,848
Total	\$338,455	\$502,754	\$1,227,870	\$267,691	\$270,842

Year Ending December 31:	OWDA Loan #5402	OWDA Loan #6041	OWDA Loan #6415	OPWC Loan #CT14F	OPWC Loan #CE36F
2017	\$19,471	\$34,842	\$36,148	\$4,963	\$8,685
2018	19,470	34,842	36,148	4,962	8,684
2019	19,471	34,842	36,148	4,963	8,684
2020	19,470	34,842	36,148	4,962	8,685
2021	19,470	34,842	36,148	4,963	8,684
2022-2026	97,352	174,209	180,739	14,887	26,053
2027-2031	68,147	174,209	180,739		
2032-2036		174,210	180,739		
2037-2041		174,209	180,739		
2042-2044		34,842	90,370		
Total	\$262,851	\$905,889	\$994,066	\$39,700	\$69,475

Year Ending December 31:	OPWC Loan #CE21K	OPWC Loan #CE39P	OPWC Loan #CE30R	Municipal Complex Improvement Notes
2017	\$2,703	\$2,853	\$9,009	\$258,795
2018	2,704	2,852	9,010	
2019	2,703	2,852	9,009	
2020	2,703	2,852	9,010	
2021	2,704	2,852	9,009	
2022-2026	13,517	14,261	45,048	
2027-2031	4,055	14,262	45,048	
2032-2036		14,261	45,047	
2037-2041		5,704	45,048	
2042-2046			36,038	
2047-2048				
Total	\$31,089	\$62,749	\$261,276	\$258,795

**Village of Gibsonburg, Ohio**  
*Sandusky County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 11 – Subsequent Events**

On October 7, 2017, the Village Issued \$200,000 in municipal complex improvement bond anticipation notes with Fifth Third Bank. The notes had an interest rate of 3.99 percent and matured on October 5, 2018. On October 5, 2018, the Village Issued \$150,000 in municipal complex improvement bond anticipation notes with an interest rate of 3.99 percent and mature on October 4, 2019.



# 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 27, 2018 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

***Village's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 27, 2018



**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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

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

**FINDING NUMBER 2017-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were noted in the accompanying 2017 and 2016 financial statements:

- In 2017, the fund balances for the re-establishment of the Economic Development-Industrial Park and Park Improvement Funds in the amounts of \$163,207 and \$7,432, respectively, were incorrectly adjusted against the beginning fund balance from the General Fund to the Special Revenue Funds rather than a transfer between the funds.
- In 2016, transfers were made from the General Fund to the Economic Development-Industrial Park Fund in the amount of \$44,294, however, the Economic Development-Industrial Park Fund was rolled into the General Fund in 2016 and therefore, the intrafund transfers should have been eliminated on the financial statements.
- In 2017, fund balance was improperly classified as unassigned instead of assigned in the General Fund in the amount of \$84,363.
- In 2016, appropriations posted to the appropriation ledger, subsequently posted to the budgetary note, did not agree with the appropriations adopted by Council as follows:

Fund	Appropriation Authority	UAN System	Variance
Sewer Improvement Additions	\$1,125,605	\$685,725	\$439,880
Water Capital	\$631,512	\$421,512	\$210,000

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

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 2011-004 for information on GASB Statement No. 54. The Village Council should also review the Village’s statements to help ensure all transactions are being properly posted to the financial statements.

**Officials’ Response:**

The incorrect classifications for year end 2017 were due to a very unusual situation in that the two funds were opened years ago, apparently without State approval. Because we were required to close those

funds by year end, and we applied and were granted authority to have those separate funds, the Fiscal Officer didn't take into consideration that those amounts transferred by year end 2017 should have been reclassified.

While calculating the possible projects that the Village was looking at doing for fiscal year 2016, the following items were included in the appropriations:

Sewer Improvement Additions: WWTP Improvements were estimated to cost \$339,880.  
: Other WWTP Improvements were estimated at \$100,000.

Water Capital: Original estimate was to re-paint the Village water tower at an expense of \$210,000.

Fiscal Officer was aware of the proposed projects which were included in the appropriation legislation, but were not included in the UAN reporting system. Since there was no definitive decision on what, if any, projects would be done, the Fiscal Officer did not enter those projects into UAN. The Fiscal Officer was mistaken in that once the projects were identified and ready to proceed to completion, they would be entered into UAN.

The Fiscal Officer will be sure to enter all appropriations into the UAN system so that all legislatively approved appropriations agree with the appropriations that have been entered into UAN. The Village Administrator and the Finance Committee members will review by March 31<sup>st</sup> of each year to make sure they agree.

#### **FINDING NUMBER 2017-002**

##### **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.

In 2016, appropriations were approved for the Capital Projects Fund for \$377,000. Budgetary expenditures within the Capital Projects fund totaled \$493,145. Therefore, budgetary expenditures exceeded appropriations by \$116,145 within the Capital Projects fund in 2016.

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:**

The Fiscal Officer will be sure to enter all appropriations into the UAN system so that all legislatively approved appropriations agree with the appropriations that have been entered into UAN. The Fiscal Officer will also monitor that budgetary expenditures are within appropriations.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material weakness for financial reporting due to material audit adjustments. Finding first reported in 2009.	Not corrected and repeated as finding 2017-001 in this report.	The Fiscal Officer was unaware of the errors and will review the proper procedures and make corrections in the future.
2015-002	Noncompliance with Ohio Rev. Code § 5705.39 due to appropriations exceeding estimated resources.	Corrected.	
2015-003	Noncompliance with Ohio Rev. Code § 5705.41(B) due to budgetary expenditures exceeding appropriations.	Not corrected and repeated as finding 2017-002 in this report.	The Fiscal Officer was unaware of the errors and will review the proper procedures and make corrections in the future.
2015-004	Noncompliance with Ohio Rev. Code § 5705.12 and material weakness due to funds being created without the proper approvals and authority.	Corrected.	

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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  
DECEMBER 13, 2018