



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF GIBSONBURG
SANDUSKY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Gibsonburg
Sandusky County
120 North Main Street
Gibsonburg, Ohio 43431-1197

To the Village Council:

We have audited the accompanying financial statements of the Village of Gibsonburg (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated [End of fieldwork date] 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 23, 2002

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$427,536				\$427,536
Intergovernmental Receipts	181,380	\$91,064			272,444
Charges for Services		7,357			7,357
Fines, Licenses, and Permits	3,287	109			3,396
Earnings on Investments	42,927	2,167			45,094
Miscellaneous	23,394	1,365	\$144,960	\$6,095	175,814
Total Cash Receipts	678,524	102,062	144,960	6,095	931,641
Cash Disbursements:					
Current:					
Security of Persons and Property	312,038				312,038
Leisure Time Activities	88,904	19,226		9,190	117,320
Community Environment	619	1,995			2,614
Transportation		74,154			74,154
General Government	350,945				350,945
Total Cash Disbursements	752,506	95,375		9,190	857,071
Total Receipts Over/(Under) Disbursements	(73,982)	6,687	144,960	(3,095)	74,570
Other Financing Receipts and (Disbursements):					
Transfers-In		80,000			80,000
Transfers-Out	(80,000)				(80,000)
Other Uses of Funds	(2,551)				(2,551)
Total Other Financing Receipts/(Disbursements)	(82,551)	80,000			(2,551)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(156,533)	86,687	144,960	(3,095)	72,019
Fund Cash Balances, January 1	396,115	5,103		21,921	423,139
Fund Cash Balances, December 31	\$239,582	\$91,790	\$144,960	\$18,826	\$495,158

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$644,623
Miscellaneous	11,506
	656,129
Total Operating Cash Receipts	656,129
Operating Cash Disbursements:	
Personal Services	196,974
Contractual Services	72,735
Supplies and Materials	199,272
Capital Outlay	15,695
	484,676
Total Operating Cash Disbursements	484,676
Operating Income	171,453
Non-Operating Cash Disbursements:	
Debt Service	81,802
	81,802
Total Non-Operating Cash Disbursements	81,802
Net Receipts Over Disbursements	89,651
Fund Cash Balances, January 1	647,375
Fund Cash Balances, December 31	\$737,026

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Cash Receipts:				
Property Tax and Other Local Taxes	\$425,860			\$425,860
Intergovernmental Receipts	145,019	\$91,330		236,349
Charges for Services		7,493		7,493
Fines, Licenses, and Permits	3,550	120		3,670
Earnings on Investments	70,378	4,272		74,650
Miscellaneous	31,433		\$32,348	63,781
Total Cash Receipts	676,240	103,215	32,348	811,803
Cash Disbursements:				
Current:				
Security of Persons and Property	327,648		10,427	338,075
Public Health Services	988			988
Leisure Time Activities	125,055	23,119		148,174
Community Environment	488	255,949		256,437
Transportation		149,219		149,219
General Government	335,972			335,972
Total Cash Disbursements	790,151	428,287	10,427	1,228,865
Total Receipts Over/(Under) Disbursements	(113,911)	(325,072)	21,921	(417,062)
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes		200,000		200,000
Transfers-In		22,000		22,000
Transfers-Out	(22,000)			(22,000)
Other Uses of Funds	(5,021)			(5,021)
Total Other Financing Receipts/(Disbursements)	(27,021)	222,000		194,979
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(140,932)	(103,072)	21,921	(222,083)
Fund Cash Balances, January 1	537,047	108,175		645,222
Fund Cash Balances, December 31	\$396,115	\$5,103	\$21,921	\$423,139

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$648,277
Miscellaneous	7,930
	656,207
Total Operating Cash Receipts	656,207
Operating Cash Disbursements:	
Personal Services	98,271
Fringe Benefits	29,860
Contractual Services	159,229
Supplies and Materials	227,777
	515,137
Total Operating Cash Disbursements	515,137
Operating Income	141,070
Non-Operating Cash Disbursements:	
Debt Service	81,802
	81,802
Total Non-Operating Cash Disbursements	81,802
Net Receipts Over Disbursements	59,268
Fund Cash Balances, January 1	588,107
Fund Cash Balances, December 31	\$647,375

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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Gibsonburg (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Madison Township to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

Economic Development Fund - This fund receives cablevision franchise fees and proceeds of debt to fund construction of an industrial park.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Escrow Account Fund - This fund receives escrow moneys to ensure a construction project is corrected by the contractor.

4. Enterprise Funds

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

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Park Bench Fund - This fund receives donations to pay for benches in the village park.

Gazebo Fund - This fund receives donations to pay for construction of a gazebo in the village park.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not always use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$1,174,161	\$912,584
Funds on deposit with the county auditor	\$7,949	\$7,906
Certificates of deposit	50,074	150,024
Total deposits	\$1,232,184	\$1,070,514

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$665,694	\$678,524	\$12,830
Special Revenue	119,280	182,062	62,782
Capital Projects		144,960	144,960
Enterprise	867,212	656,129	(211,083)
Fiduciary		6,095	6,095
Total	<u>\$1,652,186</u>	<u>\$1,667,770</u>	<u>\$15,584</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$1,277,499	\$835,057	\$442,442
Special Revenue	178,385	95,375	83,010
Enterprise	1,297,237	566,478	730,759
Fiduciary	9,190	9,190	
Total	<u>\$2,762,311</u>	<u>\$1,506,100</u>	<u>\$1,256,211</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$674,741	\$676,240	\$1,499
Special Revenue	125,806	325,215	199,409
Enterprise	650,352	656,207	5,855
Fiduciary	32,348	32,348	
Total	<u>\$1,483,247</u>	<u>\$1,690,010</u>	<u>\$206,763</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$1,207,920	\$817,172	\$390,748
Special Revenue	249,890	428,287	(178,397)
Enterprise	1,232,928	596,939	635,989
Fiduciary	10,427	10,427	
Total	<u>\$2,701,165</u>	<u>\$1,852,825</u>	<u>\$848,340</u>

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the street construction, maintenance and repair fund by \$5,274, in the state highway fund by \$6,116 and in the economic development fund by \$201,340 for the year ended December 31, 2000.
- Contrary to Ohio law, at December 31, 2000, the street construction maintenance and repair fund had a cash deficit balance of \$11,968 and the state highway fund had a cash deficit balance of \$6,355.
- Contrary to Ohio law, at December 31, 2001 appropriations exceeded the estimated resources in the general, street construction, maintenance and repair, state highway, sewer replacement and sewer improvement funds.

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$831,752	7.38%
Bank Loan	165,384	6.40%
Total	<u>\$997,136</u>	

The Ohio Water Development Authority (OWDA) loan relates to a well field, lines and plant improvements project. The loan will be repaid in semiannual installments of \$40,901, including

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

interest, over 25 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The bank loan relates to an industrial park construction project. The loan will be repaid in quarterly installments of \$11,790, including interest, over six years.

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

	<u>OWDA Loan</u>	<u>Bank Loan</u>
Year ending December 31:		
2002	\$40,901	\$47,160
2003	81,802	47,160
2004	81,802	47,160
2005	81,802	47,160
2006	81,802	538
2007 – 2021	1,227,026	
Total	<u>\$1,595,135</u>	<u>\$189,178</u>

The OWDA loan agreement included a debt covenant which stated that the Village agrees to insure the project facilities. Insurance policies issued shall be so written or endorsed as to make losses payable to the OWDA and the Village as their respective interests may appear. Each policy shall contain a provision to the effect the insurance company shall not cancel the same without first giving written notice thereof to the OWDA and the Village at least 10 days in advance of such cancellation. The Village did not insure the project during the audit period.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

9. RELATED PARTY TRANSACTION

The Village Solicitor owned land which was purchased by the Village during fiscal year 2000. The Village paid \$79,031 for this acquisition. The land was purchased for the purpose of developing an industrial park.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Gibsonburg
Sandusky County
120 North Main Street
Gibsonburg, Ohio 43431-1197

To the Village Council:

We have audited the accompanying financial statements of the Village of Gibsonburg (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30172-001 through 2001-30172-010. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-30172-011.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 23, 2002.

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

May 23, 2002

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30172-001

Finding for Recovery

Ordinance 2001-13 (adopted June 21, 2001) states pay rates for various employees. The annual salary for Greg Gerwin, Village Administrator, includes a base salary, longevity, hospitalization plus any bonuses awarded. At the time Ordinance 2001-13 became effective, the Village Clerk-Treasurer was on a leave of absence and the Utility Clerk prepared the payroll during the leave. The Utility Clerk miscalculated Mr. Gerwin's bi-weekly gross pay for pay dates 7/27/01, 8/10/01, and 8/24/01. Consequently, he was overpaid in the amount of \$126 for pay dates 7/27/01 and 8/24/01. However, he was underpaid by \$147 on pay date 8/10/01. Mr. Gerwin was overpaid a net amount of \$99.50.

Ordinance 2000-12 for the period 1/1/01 through 6/30/01

Base Salary amount due during fiscal year 2001	\$19,892.60
Longevity amount due during fiscal year 2001	175.00
Hospitalization insurance amount due during fiscal year 2001	1,911.00

Ordinance 2001-13 for the period 7/1/01 through 12/31/01

Base Salary amount due during fiscal year 2001	\$17,732.79
Longevity amount due during fiscal year 2001	253.85
Hospitalization insurance amount due during fiscal year 2001	1,365.00
Bonus	<u>150.00</u>
Total Salary due during fiscal year 2001	41,480.24
Total salary paid during fiscal year 2001	<u>41,579.74</u>
Overpayment during fiscal year 2001	<u><u>\$99.50</u></u>

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Greg Gerwin, Village administrator in the amount of ninety-nine dollars and fifty cents (\$99.50) and in favor of the General Fund.

FINDING NUMBER 2001-30172-002

Finding for Recovery

Ordinance 2000-12 (adopted June 15, 2000) states pay rates for various employees. The hourly pay rate for James Krotzer, Utility Superintendent/Operator, was set at \$15.20 per hour. Mr. Krotzer was entitled to receive a base pay of \$15.20 per regular hour worked and \$22.80 for any overtime hours worked. He was paid \$15.25 per regular hours worked and \$22.875 per overtime hours worked. As a result, Mr. Krotzer was overpaid in the amount of \$115.71.

	<u>Amount Due</u>	<u>Amount Paid</u>	<u>Overpayment</u>
Regular hours worked	2,090.00	2,090.00	
Pay rates	\$15.20	\$15.25	
Total regular hour wages	\$31,768.00	\$31,872.50	\$104.50
Overtime hours worked	149.50	149.50	
Overtime pay rates	\$22.80	\$22.875	
Total overtime hour wages	\$3,408.60	\$3,419.81	\$11.21
Totals	\$35,176.60	\$35,292.31	\$115.71

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against James Krotzer, Utility Superintendent/Operator in the amount of one hundred fifteen dollars and seventy-one cents (\$115.71) and in favor of the Sewer Fund.

FINDING NUMBER 2001-30172-003

Finding for Recovery

Section 145.04, Codified Ordinances of the Village of Gibsonburg sets holiday pay for employees. Employees were entitled to receive hourly compensation plus eight hours of compensation for scheduled holidays worked. Employees were entitled to receive double the hourly compensation plus eight hours of compensation for holidays worked which had not been scheduled. During the audit period, Paul Whitaker was over-compensated in the amounts scheduled below. These overpayments were related to holiday pay being paid incorrectly. As a result he was overcompensated \$1,074.44 during fiscal year 2000 and \$843.68 during fiscal year 2001.

<u>Payroll Date</u>	<u>Amount Due</u>	<u>Amount Paid</u>	<u>Overpayment</u>
1/14/00	\$1,212.64	\$1,378.00	\$165.36
1/28/00	1,212.64	1,378.00	165.36
5/5/00	1,598.48	1,654.36	55.88
6/13/00	1,357.33	1,522.69	165.36
7/14/00	1,253.98	1,419.34	165.36
9/22/00	1,368.96	1,547.52	178.56
12/1/00	1,309.44	1,488.00	178.56
Total Overcompensation 1/1/00 to 12/31/00			1,074.44
3/9/01	1,554.96	1,733.52	\$178.56
4/20/01	1,331.76	1,510.32	178.56
6/15/01	1,488.00	1,547.52	59.52
7/13/01	1,421.04	1,599.60	178.56
9/21/01	1,366.64	1,553.00	186.36
11/27/01	1,490.88	1,553.00	62.12
Total overcompensation 1/1/01 to 12/31/01			843.68
Total overcompensation 1/1/00 to 12/31/01			\$1,918.12

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Paul Whitaker, Police Officer in the amount of one thousand, nine hundred eighteen dollars and twelve cents (\$1,918.12) and in favor of the General Fund.

FINDING NUMBER 2001-30172-004

Finding for Recovery

Section 145.04, Codified Ordinances of the Village of Gibsonburg sets holiday pay for employees. Employees were entitled to receive hourly compensation plus eight hours of compensation for scheduled holidays worked. Employees were entitled to receive double the hourly compensation plus eight hours of compensation for holidays worked which had not been scheduled. During the audit period, Anthony Stout was over-compensated in the amounts scheduled below. These overpayments were related to holiday pay being paid incorrectly. As a result he was overcompensated \$1,064.84 during fiscal year 2000 and \$1,318.25 during fiscal year 2001.

<u>Payroll Date</u>	<u>Amount Due</u>	<u>Amount Paid</u>	<u>Overpayment</u>
1/14/00	\$1,091.96	\$1,185.64	\$93.68
1/28/00	1,264.68	1,311.52	46.84
3/10/00	1,048.05	1,188.57	140.52
5/5/00	1,100.74	1,241.26	140.52
6/13/00	1,048.05	1,188.57	140.52
7/14/00	1,030.48	1,171.00	140.52
9/22/00	1,118.48	1,271.00	152.52
10/20/00	1,064.46	1,070.82	6.36
11/17/00	1,118.48	1,220.16	101.68
12/1/00	1,137.55	1,239.23	101.68
Total Overcompensation 1/1/00 to 12/31/00			1,064.84
1/12/01	1,143.90	1,245.58	\$101.68
1/26/01	1,309.13	1,359.97	50.84
4/20/01	1,118.48	1,271.00	152.52
11/3/01	1,175.69	1,188.90	13.21
Total overcompensation 1/1/01 to 12/31/01			318.25
Total overcompensation 1/1/00 to 12/31/01			\$1,383.09

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Anthony Stout, Police Officer in the amount of one thousand, three hundred eighty three dollars and nine cents (\$1,383.09) and in favor of the General Fund.

FINDING NUMBER 2001-30172-005

Finding for Recovery

Section 145.04, Codified Ordinances of the Village of Gibsonburg sets holiday pay for employees. Employees were entitled to receive hourly compensation plus eight hours of compensation for scheduled holidays worked. Employees were entitled to receive double the hourly compensation plus eight hours of compensation for holidays worked which had not been scheduled. During the audit period,

James Wymer was over-compensated in the amounts scheduled below. These overpayments were related to holiday pay being paid incorrectly. As a result he was overcompensated \$586.08 during fiscal year 2000 and \$573.08 during fiscal year 2001.

<u>Payroll Date</u>	<u>Amount Due</u>	<u>Amount Paid</u>	<u>Overpayment</u>
5/5/00	\$1,241.26	\$1,288.10	\$46.84
6/13/00	1,171.00	1,358.36	187.36
7/4/00	1,452.04	1,498.88	46.84
11/17/00	1,518.85	1,671.37	152.52
12/1/00	1,175.68	1,328.20	152.52
Total Overcompensation 1/1/00 to 12/31/00			586.08
1/26/01	1,232.87	1,283.71	\$50.84
5/18/01	1,092.05	1,136.33	44.28
6/15/01	1,319.43	1,370.67	51.24
7/14/01	1,665.30	1,716.54	51.24
9/21/01	1,361.12	1,522.04	160.92
10/6/01	1,233.72	1,341.00	107.28
11/27/01	1,327.59	1,434.87	107.28
Total overcompensation 1/1/01 to 12/31/01			573.08
Total overcompensation 1/1/00 to 12/31/01			\$1,159.16

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against James Wymer, Police Officer in the amount of one thousand, one hundred fifty nine dollars and sixteen cents (\$1,159.16) and in favor of the General Fund.

FINDING NUMBER 2001-30172-006

Noncompliance Citation

The Village of Gibsonburg entered into a debt agreement with the Ohio Water Development Authority (OWDA) dated January 26, 1995. The principal outstanding on this debt as of December 31, 2001 was \$831,752.

Section V - Maintenance, Operation, Insurance, and Condemnation, Section 5.4 states any insurance policy issued pursuant to Section 5.3 hereof shall be so written or endorsed as to make losses, if any, payable to the OWDA and the Local Government Agency (LGA) as their respective interests may appear. Each insurance policy provided for in Section 5.3 and 5.6 hereof shall contain a provision to the effect that the insurance company shall not cancel the same without first giving written notice thereof to the OWDA and the LGA at least ten (10) days in advance of such cancellation. The Village's insurance policy does not include these provisions.

FINDING NUMBER 2001-30172-007

Noncompliance Citation

Ohio Revised Code § 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the

treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides two exceptions to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate stating that there was at the time of making such a contract or order and at the time of execution of such certificate a sufficient sum was appropriated and free of any previous encumbrance, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. Amounts of less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the Village Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Thirteen percent of the transactions tested were not certified by the Clerk-Treasurer prior to the expenditure or order being placed, and no Then and Now Certificate was issued. This procedure is not only required by the Ohio Revised Code, but is also a key control in the disbursement process. To help assure that purchase commitments receive prior approval and reduce the possibility of the Village funds being over-expended we recommend all disbursements receive certification of the Clerk-Treasurer that the funds are or were available.

FINDING NUMBER 2001-30172-008

Noncompliance Citation

Ohio Revised Code § 5705.39 states the total appropriation from each fund should not exceed the total estimated revenue. The appropriations in the General, Street Construction Maintenance and Repair, State Highway, Sewer Replacement and Sewer Improvement funds exceeded the Amended Certificate of Estimated Resources. Noncompliance occurred because the County Budget Commission sent the Village a Certificate of Estimated Resources dated October, 2000 with estimated beginning balances for January 1, 2001. The beginning balances certified by the Clerk-Treasurer to the County Budget Commission were substantially less than the amounts previously estimated. Village council had not reduced appropriations to the amended certificate amounts. It is recommended Village Council compare appropriations with the amended certificate received during January of the fiscal year.

Fund	Estimated Resources	Appropriation Authority	Variance
General Fund	1,058,392	1,271,565	213,173
Street Construction Maintenance and Repair Fund	69,621	110,000	40,379
State Highway Fund	2,471	17,000	14,529
Sewer Replacement Fund	20,988	73,540	52,552
Sewer Improvement Fund	73,428	132,425	58,997

FINDING NUMBER 2001-30172-009

Noncompliance Citation

Ohio Revised Code § 5705.10 requires money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. As of December 31, 2000, the Street Construction Maintenance and Repair fund had a deficit balance of \$11,967.99 and the State Highway Fund had a deficit balance of \$6,355.07. It is recommended the Village Council review monthly budgetary and financial reports. Decision regarding the need to transfer or advance money or stop spending should be made prior to balances reaching a deficit state.

FINDING NUMBER 2001-30172-010

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. As of December 31, 2000, the following funds had expenditures which exceeded appropriations:

	Appropriation Authority	Expenditures	Variance
Street Construction, Maintenance and Repair Fund	104,146.00	109,410.00	(5,274.00)
State Highway Fund	12,300.00	18,416.00	(6,116.00)
Economic Development Fund	54,609.00	255,949.00	(201,340.00)

FINDING NUMBER 2001-30172-011

Material Weakness

The cash journal and appropriation ledgers for fiscal year 2000 and 2001 did not reconcile. There were several weaknesses in the bookkeeping system as follows:

- Twenty six checks totaling \$11,535.37 written during fiscal year 2000 and thirteen checks totaling \$11,782.07 written during fiscal year 2001 were posted correctly to the cash journal, but an incorrect amount was posted to the appropriation ledger.
- Checks were not all posted in numerical sequence in the cash journal.
- The check number in the cash journal did not always match the check number on the check.
- Beginning in November 2000, the check amounts in the cash journal were posted in total by fund rather than breaking out the amount to reflect the individual line items to which the amount would be posted.
- Five checks totaling \$717.76 written during fiscal year 2000 and two checks totaling \$3,744.58 written during fiscal year 2001 were posted to the appropriation ledger twice.
- One check totaling \$17.23 written during fiscal year 2000 and three checks totaling \$468.91 were posted in a specific fund in the cash journal and a different fund in the appropriation ledger.
- Three void checks had not been voided in the appropriation ledger.
- Error corrections and "to balance" amounts were posted to the appropriation ledger with no explanation regarding the reason for the amount.
- Twenty-four checks written during November 2000 totaling \$32,084.74 had not been posted to the cash journal. One check written in October 2000 in the amount of \$7.75 had also not been posted to the cash journal.

These weaknesses resulted in the cash journal and appropriation ledgers not balancing throughout the year. The Village had to incur the cost of making the required corrections in order to create an accurate annual report. It is recommended the Village Clerk-Treasurer and the finance committee review the monthly reconciliation of the books to make sure errors are corrected timely.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30172-001	A police officer was over-paid.	Yes	
1999-30172-002	Appropriation modifications had been made without authorization of village council.	Yes	
1999-30172-003	Expenditures exceeded appropriations	No	Not corrected. Reissued as finding 2001-30172-010.
1999-30172-004	Clerk-Treasurer did not certify the availability of fund prior to expenditures being made	No	Not corrected. Reissued as finding 2001-30172-007.
1999-30172-005	The Village had not insured the project for which the Ohio Water Development Authority had loaned money to the village. This was debt covenant noncompliance.	No	Not corrected. Reissued as finding 2001-30172-006.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2001 AND 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-30172-001	The Village plans to collect overcompensation	12/31/02	Joann Arndt
2001-30172-002	The Village plans to collect overcompensation	12/31/02	Joann Arndt
2001-30172-003	The Village plans to collect overcompensation	12/31/02	Joann Arndt
2001-30172-004	The Village plans to collect overcompensation	12/31/02	Joann Arndt
2001-30172-005	The Village plans to collect overcompensation	12/31/02	Joann Arndt
2001-30172-006	The Village Clerk-Treasurer contacted the insurance agent.	6/30/02	Joann Arndt
2001-30172-007	The Village Clerk-Treasurer will require purchase orders for all expenditures.	12/31/02	Joann Arndt
2001-30172-008	Finance Committee will use amended certificate for budgetary purposes.	6/30/02	Joann Arndt
2001-30172-009	Money was transferred to the funds with deficit fund balances during 2001.	2/1/02	Joann Arndt
2001-30172-010	Corrected for 2001.	N/A	Joann Arndt
2001-30172-011	Reconciliation procedures were started 1/1/02	1/1/02	Joann Arndt



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OFFICE OF THE AUDITOR

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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
JULY 2, 2002**