



**Auditor of State  
Betty Montgomery**



**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Gibsonburg, Sandusky County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 of Gibsonburg, Sandusky County as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As stated in Note 3 to the accompanying financial statements, a reclassification of fund balance was made from expendable trust funds to special revenue funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2004 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.



**Betty Montgomery**  
Auditor of State

June 8, 2004

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 467,326	\$ 192		\$ 467,518
Intergovernmental Receipts	140,583	99,843	\$ 690,643	931,069
Charges for Services		9,671		9,671
Fines, Licenses, and Permits	2,147	60		2,207
Earnings on Investments	9,949	1,546		11,495
Miscellaneous	10,401	60,404		70,805
<b>Total Cash Receipts</b>	<u>630,406</u>	<u>171,716</u>	<u>690,643</u>	<u>1,492,765</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	346,269	729		346,998
Leisure Time Activities	54,681			54,681
Community Environment	652	52,657		53,309
Transportation		111,261		111,261
General Government	269,374			269,374
Debt Service:				
Principal Payments	39,829			39,829
Interest Payments	7,331			7,331
Capital Outlay		4,868	690,643	695,511
<b>Total Cash Disbursements</b>	<u>718,136</u>	<u>169,515</u>	<u>690,643</u>	<u>1,578,294</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(87,730)</u>	<u>2,201</u>		<u>(85,529)</u>
<b>Other Financing Receipts and (Disbursements)</b>				
Sale of Fixed Assets	15,000	44,925		59,925
Transfers-In	2,669			2,669
Other Financing Sources	4,937			4,937
Transfers-Out		(2,669)		(2,669)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>22,606</u>	<u>42,256</u>		<u>64,862</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(65,124)</u>	<u>44,457</u>		<u>(20,667)</u>
<b>Fund Cash Balances, January 1</b>	<u>154,212</u>	<u>125,689</u>		<u>279,901</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 89,088</u></u>	<u><u>\$ 170,146</u></u>		<u><u>\$ 259,234</u></u>

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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 756,037
Miscellaneous	1,909
	757,946
Total Operating Cash Receipts	757,946
<b>Operating Cash Disbursements</b>	
Personal Services	159,119
Fringe Benefits	62,283
Contractual Services	133,974
Supplies and Materials	291,142
Other	30,000
Capital Outlay	207,244
	883,762
Total Operating Cash Disbursements	883,762
Operating Loss	(125,816)
<b>Non-Operating Cash Receipts</b>	
Intergovernmental Receipts	72,584
Special Assessments	750
Sale of Fixed Assets	85,175
	158,509
Total Non-Operating Cash Receipts	158,509
<b>Non-Operating Cash Disbursements</b>	
Debt Service: Principal Payments	25,575
Debt Service: Interest Payments	64,092
	89,667
Total Non-Operating Cash Disbursements	89,667
Net Receipts Under Disbursements	(56,974)
Fund Cash Balances, January 1	721,430
<b>Fund Cash Balances, December 31</b>	<b>\$ 664,456</b>

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 FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 427,137			\$ 427,137
Intergovernmental Receipts	172,450	\$ 126,957		299,407
Charges for Services	2,059	8,002		10,061
Fines, Licenses, and Permits	2,241	190		2,431
Earnings on Investments	20,259	1,066		21,325
Miscellaneous	21,357	16,670		38,027
<b>Total Cash Receipts</b>	<b>645,503</b>	<b>152,885</b>		<b>798,388</b>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	347,256			347,256
Public Health Services	1,018			1,018
Leisure Time Activities	68,060	49,348		117,408
Community Environment		7,833		7,833
Transportation		88,628		88,628
General Government	259,382			259,382
Debt Service:				
Principal Payments	37,328			37,328
Interest Payments	9,832			9,832
Capital Outlay			\$ 144,960	144,960
<b>Total Cash Disbursements</b>	<b>722,876</b>	<b>145,809</b>	<b>144,960</b>	<b>1,013,645</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(77,373)</b>	<b>7,076</b>	<b>(144,960)</b>	<b>(215,257)</b>
<b>Other Financing Receipts and (Disbursements)</b>				
Transfers-In		19,587		19,587
Transfers-Out	(7,997)	(11,590)		(19,587)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(7,997)</b>	<b>7,997</b>		
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(85,370)</b>	<b>15,073</b>	<b>(144,960)</b>	<b>(215,257)</b>
<b>Fund Cash Balances, January 1 (restated)</b>	<b>239,582</b>	<b>110,616</b>	<b>144,960</b>	<b>495,158</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 154,212</b>	<b>\$ 125,689</b>		<b>\$ 279,901</b>

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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 672,617
Miscellaneous	1,198
	673,815
Total Operating Cash Receipts	673,815
<b>Operating Cash Disbursements</b>	
Personal Services	215,044
Contractual Services	139,936
Supplies and Materials	252,629
	607,609
Total Operating Cash Disbursements	607,609
Operating Income	66,206
<b>Non-Operating Cash Disbursements</b>	
Debt Service: Principal Payments	20,419
Debt Service: Interest Payments	61,383
	81,802
Total Non-Operating Cash Disbursements	81,802
Net Receipts Under Disbursements	(15,596)
Fund Cash Balances, January 1	737,026
<b>Fund Cash Balances, December 31</b>	<b>\$ 721,430</b>

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, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Gibsonburg, Sandusky County (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, sewer and refuse utilities, park operations, and police services. The Village appropriates general fund money to support the Gibsonburg-Madison Township Volunteer Fire Department.

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**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**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:

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

Ohio Department of Natural Resources Fund -This fund receives grant money for improvements at the 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 funds:

Escrow Fund - This fund received money to hold in escrow until repairs were made to the Village water tower.

Ohio Water Development Authority Fund – This fund accounts for the Ohio Water Development Authority activity for the waste water treatment plant improvements.

Ohio Public Works Commission Fund – This fund accounts for the Ohio Public Works Commission activity fro the waste water treatment plant improvements.

**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.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

**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 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 encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

**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.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**2. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$ 859,272	\$ 949,337
Funds on deposit with the county auditor	14,344	1,920
Certificates of deposit	50,074	50,074
Total deposits	\$ 923,690	\$ 1,001,331

Funds on deposit with the county auditor are subject to the county's collateralization requirements. Other deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**3. RECLASSIFICATION OF FUNDS**

The Village has several funds that account for donations received for various Village projects. The Village previously classified these as expendable trust funds. However, expendable trust funds are required to have legally binding agreements, which these funds do not have. A reevaluation of these funds determined it would be more appropriate to report them as special revenue funds. The effect of these adjustments as previously reported is as follows:

	Special Revenue	Expendable Trust
Fund Balance December 31, 2001	\$ 91,790	\$ 18,826
Fund Balance Reclassification	18,826	(18,826)
Restated Fund Balance January 1, 2002	\$ 110,616	\$ -
Receipts over disbursements as previously reported for the year ended December 31, 2001	\$ 86,687	\$ (3,095)
Adjustments	(3,095)	3,095
Restated receipts over disbursements for the year ended December 31, 2001	\$ 83,592	\$ -

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 614,004	\$ 653,012	\$ 39,008
Special Revenue	99,344	216,641	117,297
Capital Projects	-	690,643	690,643
Enterprise	682,000	916,455	234,455
Total	<u>\$ 1,395,348</u>	<u>\$ 2,476,751</u>	<u>\$ 1,081,403</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 718,136	\$ (718,136)
Special Revenue	-	172,184	(172,184)
Capital Projects	-	690,643	(690,643)
Enterprise	-	973,429	(973,429)
Total	<u>\$ -</u>	<u>\$ 2,554,392</u>	<u>\$ (2,554,392)</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 675,996	\$ 645,503	\$ (30,493)
Special Revenue	160,491	172,472	11,981
Enterprise	825,910	673,815	(152,095)
Total	<u>\$ 1,662,397</u>	<u>\$ 1,491,790</u>	<u>\$ (170,607)</u>

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,089,142	\$ 730,873	\$ 358,269
Special Revenue	118,200	157,399	(39,199)
Capital Projects		144,960	(144,960)
Enterprise	1,171,734	689,411	482,323
Total	\$ 2,379,076	\$ 1,722,643	\$ 656,433

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the years ended December 31, 2003 and 2002. Also contrary to Ohio law, appropriations were not sent to the county auditor for certification for the years ended December 31, 2003 and 2002, and appropriations approved by Council in 2003 did not include financial amounts. Also, thirty-eight percent of expenditure transactions tested were not certified by the fiscal officer at the time the commitment was incurred.

**5. 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.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**6. 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.

**7. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 2991	\$ 789,409	7.38%
Fifth Third Bank Loan	88,201	6.40%
Ohio Water Development Authority Loan 3895	634,196	3.03%
Ohio Public Works Commission CE36F	81,797	0%
Ohio Small Government Capital Improvement Program CT14F	<u>46,741</u>	0%
Total	<u>\$ 1,640,344</u>	

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

The Fifth Third Bank Loan relates to the purchase of land for an industrial park. The loan will be repaid in quarterly installments of \$11,790, including interest over six years. The note is uncollateralized.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

The Ohio Water Development Authority (OWDA) loan 3895 relates to waste water treatment plant improvements. The loan is still in open status with the OWDA, which means money is still being disbursed, and there is no amortization schedule available at this time. The loan is collateralized by sewer receipts. The principal listed above represents amounts OWDA has disbursed on this project through December 31, 2003. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan CE36F represents a \$174,999 loan for improvements to the waste water treatment plant. Funds are still being disbursed on this loan. The loan will be repaid in semiannual installments of \$4,375 over 20 years. Payments are expected to start July 1, 2004. 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 Small Government Capital Improvement Program (OSGCIP) loan CT14F represents a \$100,000 loan for improvements to the waste water treatment plant. Funds are still being disbursed on this loan. The loan will be repaid in semiannual installments of \$2,500 over 20 years. Payments are expected to start July 1, 2004. The loan is collateralized by sewer receipts. The Village has agreed to set utility rate sufficient to cover the OSGCIP debt service requirements.

The OWDA, OPWC, and OSGCIP debt agreements include a debt covenant which states 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, OPWC, OSGCIP, and the Village as their respective interest may appear. Each policy 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, OPWC, OSGCIP, and the Village at least ten days in advance of such cancellation. The Village did not name the OWDA, OPWC, and OSGCIP as a loss payable endorsement on their insurance policy.

The OWDA debt agreements include a debt covenant which states that the Village will furnish to the OWDA annual reports of the operation and income of the System and also an annual report of the accounts and operation of the System and such other documents as the OWDA may reasonably request. The Village did not file the required reports with OWDA.

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

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Year ending December 31:	OWDA 2991	Fifth Third Loan	OPWC CE36F	OSGCIP CT14F
2004	\$ 40,901	\$ 47,160	\$ 4,375	\$ 2,500
2005	81,802	47,160	8,750	5,000
2006	81,802	538	8,750	5,000
2007	81,802		8,750	5,000
2008	81,802		8,750	5,000
2009-2013	409,010		43,750	25,000
2014-2018	409,010		43,750	25,000
2019-2023	245,406		43,750	25,000
2024			4,374	2,500
Total	<u>\$ 1,431,535</u>	<u>\$ 94,858</u>	<u>\$ 174,999</u>	<u>\$ 100,000</u>

**8. 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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village also picks up a portion of the participants contributions for some of its full time employees. The Village has paid all contributions required through December 31, 2003.

**9. RISK MANAGEMENT**

**Risk Pool Membership**

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained Earnings	<u>\$ 11,624,228</u>	<u>\$ 10,530,870</u>

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	(655,318)	(469,100)
Retained Earnings	<u>\$ 1,910,090</u>	<u>\$ 1,421,223</u>

**10. RELATED PARTY TRANSACTION**

The Village sold land at their industrial park to the former mayors' father. The Village sold the land for \$45,100.

**11. JOINT VENTURE**

The Gibsonburg-Madison Township Volunteer Fire Department is managed by Madison Township and the Village of Gibsonburg. The Township pays all of the fire department bills and is reimbursed quarterly for half of the expenses by the Village of Gibsonburg. The Village paid \$25,971 during 2003 and \$20,432 during 2002.

**12. CONTINGENT LIABILITIES**

The Village is defendant in a lawsuit. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Gibsonburg, Sandusky County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 8, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We also noted that reclassifications of certain funds balances were made. 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 2003-001 through 2003-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 8, 2004.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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### **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 the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-007 through 2003-011.

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, of the reportable conditions described above, we consider items 2003-009 through 2003-011 to be material weaknesses. 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 June 8, 2004.

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.



**Betty Montgomery**  
Auditor of State

June 8, 2004

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2003-001**

**Finding For Recovery Repaid Under Audit**

The Joint Venture Agreement dated September 11, 2000 between the Village of Gibsonburg (the Village) and Madison Township (the Township) states "it is the intent of the parties that the Township will pay for the pool coverage costs and indemnify the Village for any and all costs incurred for insurance and/or pool coverage." The Township submitted quarterly reimbursements, as required by the agreement. However, insurance costs were included in the reimbursements requests and were paid by the Village. 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 Madison Township, Sandusky County in the amount of four thousand nine hundred fifty-one dollars and sixty-seven cents (\$4,951.67) and in favor of the General Fund of the Village of Gibsonburg. This finding was repaid on June 1, 2004 in the amount of \$4,951.67.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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 that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board 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.

**FINDING NUMBER 2003-002**  
**(Continued)**

- b. If the amount involved is less than \$1,000 (\$3,000 after April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Thirty-eight percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all Village disbursements receive certification of the fiscal officer that the funds are or will be available.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

The Village has entered into various debt agreements with the Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC). These agreements require any insurance policy issued pursuant to Section 5.3 of the agreements shall be so written or endorsed as to make losses, if any, payable to the OWDA, OPWC, Ohio Small Government Capital Improvement Program (OSGCIP) and the Local Government Agency (LGA) as their respective interest may appear. Each insurance policy provided for in Section 5.3 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, OPWC, OSGCIP and the LGA at least ten days in advance of such cancellation. The Village's insurance policy does not include these provisions. As a result, the Village is not in compliance with debt requirements, and the debt, at the discretion of OWDA, OPWC, and OSGCIP could be immediately due and payable. We recommend the Village make the proper endorsements on their insurance policy.

**FINDING NUMBER 2003-004**

**Noncompliance Citation**

Article IV – Participation and Payments by Local Government Agency (LGA) Section 4.3 requires the LGA to furnish to the Ohio Water Development Authority (OWDA) annually reports of the operation and income of the System and also a annual report of the accounts and operation of the System and such other documents as the OWDA may reasonably request in order to respond to requests for documentation from rating agencies or providers. The Village did not supply the information requested by the OWDA for 2002. Information for 2003 has yet to be requested and has not been provided. As a result, the Village is not in compliance with OWDA debt requirements and the debt at the discretion of OWDA could be immediately due and payable. We recommend the Village file the proper reports when requested from the OWDA.

### **FINDING NUMBER 2003-005**

#### **Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Appropriations were never sent to the county auditor for certification, which resulted in no funds being legally appropriated and expenditures exceeding appropriation in all funds. Appropriations were approved by Council for both years, however no amounts were included with the appropriation ordinance approved by Council in 2003. The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, and having them certified by the county auditor when necessary.

### **FINDING NUMBER 2003-006**

#### **Noncompliance Citation**

Ohio Revised Code § 5705.39 states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the official estimate or amended official estimate of resources. The former Clerk-Treasurer never filed appropriations with the county auditor for 2002 or 2003. Appropriations were approved by Council for both years, however no amounts were included with the appropriation ordinance approved by Council in 2003. As a result, the county auditor could not file a certificate that appropriations do not exceed estimated resources, which resulted in the Village having legally adopted appropriations of zero. We recommend the Village file their appropriations with the county auditor.

### **FINDING NUMBER 2003-007**

#### **Reportable Condition**

Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) activity should be recorded in separate Capital Project funds using “memo” receipts and expenditures for funds paid directly to vendors on behalf of the Village. The activities from these projects were not recorded on the Village’s records. As a result, the Village’s financial statements were materially misstated and required audit adjustments. We recommend Council and the Clerk-Treasurer review audit bulletins 2002-004 and 2000-008 and that they properly record OWDA and OPWC activity to the Village’s records.

### **FINDING NUMBER 2003-008**

#### **Reportable Condition**

Withholding payments for income taxes and pension plans should be made by the required dates and in the correct amounts. The former Clerk-Treasurer did not make federal income tax, Ohio Public Employee Retirement System, and Ohio Police & Fire Pension Fund payments by the required dates and for the correct amounts. As a result, the Village paid fines and interest for improper filing. In order to avoid fines and interest, we recommend the Village implement policies and procedures to accurately pay withholdings by the required dates.

### **FINDING NUMBER 2003-009**

#### **Material Weakness**

Council did not actively monitor and approve the financial activity of the Village. This lack of monitoring contributed to material audit adjustments as well as the Village having to hire an independent contractor to reconstruct the records at an additional cost of \$3,329. To avoid increased audit costs as well as additional reconstruction costs, Council should receive and review monthly reports including, but not limited to the following information:

- Monthly fund balances
- Monthly bank reconciliations
- Monthly summary receipts by fund
- Monthly summary disbursements by fund
- Monthly budget vs. actual information by fund
- A detailed listing of checks written for the month.
- “Monthly report to mayor and Council” from Income Tax Administrator

Council should also document their review and approval of monthly financial information. To document this review/approval, we recommend Council sign one set of monthly information presented, and/or formally approve the information in their minutes.

The Audit Committee has also been assigned duties such as reviewing/approving expenditures, and the monthly bank reconciliations. We recommend the Audit Committee document their review by signing all information they have reviewed.

**FINDING NUMBER 2003-010**

**Material Weakness**

Bank reconciliations should be complete in a timely manner and submitted to the Audit committee and/or council each month. Reconciliations for the period of June, 2003 through year end were completed during March of 2004. We recommend the Clerk-Treasurer perform timely reconciliations, and that Council implement policies and procedures for corrective action when reconciliations are not submitted.

**FINDING NUMBER 2003-011**

**Material Weakness**

Disbursements posted to the cash journal and appropriation ledger should agree to the actual checks and purchase orders issued by the Village. In 2002 and 2003, actual check numbers, check dates, and purchase order numbers did not always agree to the check numbers, check dates, and purchase order numbers posted to the cash journal and appropriations ledger. This weakness left inadequate referencing to source documentation and an inadequate audit trail. It could also lead to funds being misappropriated or unaccounted for. We recommend that all transactions posted to the cash journal and appropriation ledger agree to the actual information on the checks and purchase orders.

**VILLAGE OF GIBSONBURG  
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30172-001	Finding for recovery for overpayment of payroll.	Yes	
2001-30172-002	Finding for recovery for overpayment of payroll.	Yes	
2001-30172-003	Finding for recovery for overpayment of payroll.	No	Partially corrected. Finding is being repaid through payroll deductions.
2001-30172-004	Finding for recovery for overpayment of payroll.	Yes	
2001-30172-005	Finding for recovery for overpayment of payroll.	No	Partially corrected. Finding is being repaid through payroll deductions.
2001-30172-006	OWDA debt covenant noncompliance.	No	Not corrected. Repeated as Finding #2003-003
2001-30172-007	Ohio Revised Code § 5705.41(D), failure to certify funds.	No	Not corrected. Repeated as Finding #2003-002
2001-30172-008	Ohio Revised Code § 5705.39, appropriations exceed estimated resources.	No	Not corrected. Repeated as Finding #2003-006
2001-30172-009	Ohio Revised Code § 5705.10, Negative fund balances.	No	Partially corrected. Reported in the management letter.
2001-30172-010	Ohio Revised Code § 5705.41(B), expenditures exceed appropriations.	No	Not corrected. Repeated as Finding #2003-005
2001-30172-011	Bookkeeping weaknesses.	No	Not corrected. Repeated as Finding #2003-011



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Betty Montgomery**

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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 6, 2004**