



Dave Yost • Auditor of State

VILLAGE OF GIBSONBURG
SANDUSKY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings	23

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 4, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Gibsonburg, Sandusky County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Gibsonburg, Sandusky County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2 to the financial statements, during 2010, the Village changed its financial statement presentation to conform to presentation methods the Auditor of State prescribes or permits. In addition, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

December 4, 2012

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$106,059		\$106,059
Municipal Income Tax	568,022		568,022
Intergovernmental	135,921	\$141,914	277,835
Charges for Services	2,496		2,496
Fines, Licenses and Permits	36,344	305	36,649
Earnings on Investments	7,912	208	8,120
Miscellaneous	19,862	1,099	20,961
<i>Total Cash Receipts</i>	<u>876,616</u>	<u>143,526</u>	<u>1,020,142</u>
Cash Disbursements			
Current:			
Security of Persons and Property	433,267		433,267
Public Health Services	1,258		1,258
Leisure Time Activities	48,417	1,663	50,080
Community Environment	50,385		50,385
Transportation		68,597	68,597
General Government	215,242		215,242
Capital Outlay	100,207	22,947	123,154
<i>Total Cash Disbursements</i>	<u>848,776</u>	<u>93,207</u>	<u>941,983</u>
<i>Excess of Receipts Over Disbursements</i>	<u>27,840</u>	<u>50,319</u>	<u>78,159</u>
Other Financing Disbursements			
Transfers Out	(40,000)		(40,000)
<i>Net Change in Fund Cash Balances</i>	(12,160)	50,319	38,159
<i>Fund Cash Balances, January 1, restated</i>	<u>1,006,077</u>	<u>125,915</u>	<u>1,131,992</u>
Fund Cash Balances, December 31			
Restricted		172,778	172,778
Committed		3,456	3,456
Assigned	345,118		345,118
Unassigned	648,799		648,799
<i>Fund Cash Balances, December 31</i>	<u>\$993,917</u>	<u>\$176,234</u>	<u>\$1,170,151</u>

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

VILLAGE OF GIBSONBURG
SANDUSKY COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$1,204,548
Miscellaneous	5,857
<i>Total Operating Cash Receipts</i>	<u>1,210,405</u>
Operating Cash Disbursements	
Personal Services	174,229
Employee Fringe Benefits	86,454
Contractual Services	306,296
Supplies and Materials	57,839
<i>Total Operating Cash Disbursements</i>	<u>624,818</u>
<i>Operating Income</i>	<u>585,587</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	10,842
Debt Proceeds	2,293
Capital Outlay	(142,508)
Principal Retirement	(214,622)
Interest and Other Fiscal Charges	(129,873)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(473,868)</u>
<i>Income before Transfers</i>	111,719
Transfers In	40,000
<i>Net Change in Fund Cash Balances</i>	151,719
<i>Fund Cash Balances, January 1</i>	<u>1,258,125</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,409,844</u></u>

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$102,844		\$102,844
Municipal Income Tax	566,657		566,657
Intergovernmental	138,185	\$150,116	288,301
Charges for Services	2,543		2,543
Fines, Licenses and Permits	15,637	9,495	25,132
Earnings on Investments	13,410	956	14,366
Miscellaneous	36,846	10,430	47,276
<i>Total Cash Receipts</i>	<u>876,122</u>	<u>170,997</u>	<u>1,047,119</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	433,483		433,483
Public Health Services	634		634
Leisure Time Activities	47,842	4,510	52,352
Community Environment	1,120	1,961	3,081
Transportation		82,231	82,231
General Government	247,004	3,979	250,983
Capital Outlay	34,372	152,026	186,398
<i>Total Cash Disbursements</i>	<u>764,455</u>	<u>244,707</u>	<u>1,009,162</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>111,667</u>	<u>(73,710)</u>	<u>37,957</u>
Other Financing Receipts (Disbursements):			
Transfers-In		20,000	20,000
Transfers-Out	(60,000)		(60,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(60,000)</u>	<u>20,000</u>	<u>(40,000)</u>
<i>Net Change in Fund Cash Balances</i>	51,667	(53,710)	(2,043)
<i>Fund Cash Balances, January 1</i>	<u>618,152</u>	<u>515,883</u>	<u>1,134,035</u>
<i>Fund Cash Balances, December 31</i>	<u>\$669,819</u>	<u>\$462,173</u>	<u>\$1,131,992</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$7,730</u>	<u>\$121,693</u>	<u>\$129,423</u>

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$1,257,718
Miscellaneous	<u>659</u>
Total Operating Cash Receipts	<u>1,258,377</u>
Operating Cash Disbursements:	
Personal Services	188,125
Employee Fringe Benefits	92,278
Contractual Services	303,878
Supplies and Materials	<u>64,329</u>
<i>Total Operating Cash Disbursements</i>	<u>648,610</u>
<i>Operating Income</i>	<u>609,767</u>
Non-Operating Cash Receipts:	
Intergovernmental	491,470
Debt Proceeds	389,408
Sale of Capital Assets	1,600
Capital Outlay	(911,045)
Redemption of Principal	(202,352)
Interest and Other Fiscal Charges	<u>(136,667)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(367,586)</u>
<i>Income before Transfers</i>	242,181
Transfers-In	<u>40,000</u>
<i>Net Change in Fund Cash Balances</i>	282,181
<i>Fund Cash Balances, January 1</i>	<u>975,944</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,258,125</u></u>
<i>Reserve for Encumbrances, December 31</i>	<u><u>\$1,368</u></u>

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. PEP provides property and casualty coverage for its members. Note 9 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources 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.

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

Sewer Improvement Additions Fund - This fund receives charges for services from residents to repay the OWDA and OPWC loans.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over to the subsequent year and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

E. Fund Balance

For December 31, 2011, 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. For December 31, 2011, the classifications are as follows:

1. Nonspendable

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES

In prior years, the Village reported the financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. For 2010, the Village reported on the regulatory basis. The Village no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with nonmajor funds aggregated and presented in a single column.

For 2011, the Village adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. As the result of the implementation of GASB Statement 54, the Village reclassified certain funds. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Fund Balance at January 1, 2011
General	\$669,819	\$336,258	\$1,006,077
Special Revenue	462,173	(336,258)	125,915

3. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$72,543	\$76,976
Certificates of deposit	800,000	57,948
Other time deposits (savings and NOW accounts)	1,707,452	2,255,193
Total deposits	\$2,579,995	\$2,390,117

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

4. BUDGETARY ACTIVITY

Due to the implementation of GASB Statement No. 54, for 2011 the Economic Development and Park Improvement Funds are included in the General Fund for financial reporting purposes and are included in the Special Revenue Funds on a budgetary basis. Transfers from the General Fund to the Economic Development Fund in the amount of \$34,120 were eliminated in the financial statements but are included in the budgetary presentation.

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$831,611	\$854,417	\$22,806
Special Revenue	203,805	199,845	(3,960)
Enterprise	2,221,535	1,263,540	(957,995)
Total	\$3,256,951	\$2,317,802	(\$939,149)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$982,730	\$878,600	\$104,130
Special Revenue	612,993	218,342	394,651
Enterprise	3,032,458	1,994,884	1,037,574
Total	\$4,628,181	\$3,091,826	\$1,536,355

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$867,695	\$876,122	\$8,427
Special Revenue	194,755	190,997	(3,758)
Enterprise	2,346,819	2,180,855	(165,964)
Total	\$3,409,269	\$3,247,974	(\$161,295)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$963,494	\$832,185	\$131,309
Special Revenue	618,538	366,400	252,138
Enterprise	2,812,059	1,900,042	912,017
Total	\$4,394,091	\$3,098,627	\$1,295,464

5. PROPERTY TAX

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

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

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.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. PROPERTY TAX (Continued)

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

6. LOCAL INCOME TAX

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

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

7. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2991	\$544,526	7.389%
Ohio Water Development Authority Loan #3895	718,808	3.030%
Ohio Water Development Authority Loan #4629	1,467,696	2.750%
Ohio Water Development Authority Loan #4634	290,243	4.320%
Ohio Water Development Authority Loan #5072	222,890	4.970%
Ohio Water Development Authority Loan #5402	360,203	0.0%
Ohio Water Development Authority Loan #6041	2,293	3.500%
Ohio Public Works Commission #CT14F	64,512	0.0%
Ohio Public Works Commission #CE36F	112,896	0.0%
Ohio Public Works Commission #CE21K	44,606	0.0%
Total	<u>\$3,828,673</u>	

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

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

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan 4634 relates to the Yeasting Road waterline replacement. The OWDA approved up to \$344,291 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$12,942, including interest, over 18 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The Ohio Water Development Authority (OWDA) loan 5402 relates to Eastside Combined Sewer Separation Project. The OWDA approved up to \$389,408 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 Northwest Quadrant Water Main Replacement Project. The OWDA approved up to \$667,387 in loans to the Village for this project. The loan will be repaid over 30 years. The scheduled payment amount below only includes the amount received during the audit period. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. DEBT (Continued)

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

Year ending December 31:	OWDA Loan #2991	OWDA Loan #3895	OWDA Loan #4629	OWDA Loan #4634	OWDA Loan #5072
2012	\$81,802	\$71,898	\$116,940	\$25,884	\$16,568
2013	81,802	71,898	116,940	25,884	16,568
2014	81,802	71,898	116,940	25,884	16,568
2015	81,802	71,898	116,940	25,884	16,568
2016	81,802	71,898	116,940	25,884	16,568
2017-2021	368,108	359,482	584,700	129,415	82,835
2022-2026		143,791	584,700	129,415	82,835
2027-2031			58,470	12,939	82,835
2032-2036					41,416
Total	<u>\$777,118</u>	<u>\$862,763</u>	<u>\$1,812,570</u>	<u>\$401,189</u>	<u>\$372,761</u>

Year ending December 31:	OWDA Loan #5402	OWDA Loan #6041	OPWC Loan #CT14F	OPWC Loan #CE36F	OPWC Loan #CE21K
2012	\$19,470		\$4,962	\$8,684	\$2,704
2013	19,470	\$2,293	4,962	8,684	2,704
2014	19,470		4,962	8,684	2,704
2015	19,470		4,962	8,684	2,704
2016	19,470		4,962	8,684	2,704
2017-2021	97,353		24,814	43,422	13,516
2022-2026	97,353		14,888	26,054	13,516
2027-2031	68,147				4,054
Total	<u>\$360,203</u>	<u>\$2,293</u>	<u>\$64,512</u>	<u>\$112,896</u>	<u>\$44,606</u>

8. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village pays the employee share and has paid all contributions required through December 31, 2011.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$22,000.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$24,259	\$20,971

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.

10. JOINT VENTURE

The Gibsonburg-Madison Township Volunteer Fire Department is managed by Madison Township and the Village of Gibsonburg. The Village maintains the fire department garage and pays the utilities. Madison Township has a levy to purchase a fire truck and pays the insurance on the trucks. The Township also pays all operating invoices and bills the Village for 50% of their costs which was \$23,846 during 2011 and \$17,851 during 2010.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of Gibsonburg, Sandusky County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 4, 2012, wherein we noted in 2010, the Village began preparing its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and in 2011, the Village implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village processes its financial transactions with 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 audit 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(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 4, 2012.

We intend this report solely for the information and use of management, the audit committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

December 4, 2012

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The review of the financial statements resulted in twenty-two audit adjustments and unadjusted differences ranging in amounts from \$50 to \$433,363. The most significant adjustments were as follows:

- To adjust and reclassify intergovernmental receipts posted as other financing sources in the Enterprise 5703 Fund (\$433,363 - 2010)
- To adjust and reclassify intergovernmental receipts posted twice (as miscellaneous, in the Enterprise 5603 Fund and as other debt proceeds and capital outlay in the Enterprise 5602 Fund (\$70,917 - 2010)
- To adjust capital outlay posted as a reduction of expenditure in the Enterprise 5603 Fund (\$56,345 – 2010)
- To reclassify intergovernmental receipts posted as other debt proceeds in the Enterprise 5702 Fund (\$43,955)
- To adjust franchise fees posted to Special Revenue 2901 Fund instead of General Fund (\$24,729 – 2011 and \$12,301 – 2010)
- To remove reduction of expenditures to post as miscellaneous receipts in the General Fund (\$13,453 – 2011); and as intergovernmental receipts in the Enterprise 5604 Fund (\$2,108 – 2011 and \$5,796 - 2010)
- To adjust the Economic Development and Park Improvement Funds to the General Fund in 2011 due to the implementation of GASB 54 (\$22,199 – revenues; \$57,149 – disbursements; and \$336,258 – beginning fund balances)

Additional audit adjustments were made in smaller relative amounts. The accompanying financial statements and Village's accounting records have been adjusted to correct these errors.

To ensure the District's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the annual report by the audit committee to identify and correct errors and omissions.

Officials' Response:

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

This page intentionally left blank.

**VILLAGE OF GIBSONBURG
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Significant Deficiency for estimated resources not matching accounting system.	Yes	
2009-002	Material Weakness due to material misstatements.	No	Not corrected. Repeated as Finding number 2011-001 in this report.
2009-003	Ohio Revised Code § 5705.36 filing of total amounts from all sources available.	Yes	
2009-004	Ohio Revised Code § 731.16 no change order for contracts.	Yes	
2009-005	Ohio Revised Code § 5705.36(A)(2) failure to increase estimated resources.	Yes	
2009-006	Ohio Revised Code § 5705.39 appropriations exceeded estimated resources.	No	Partially corrected reducing this to a Management Letter comment.

This page intentionally left blank.



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 18, 2012