



Dave Yost • Auditor of State

VILLAGE OF BAY VIEW
ERIE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Bay View
Erie County
304 East Bay View Drive
Sandusky, Ohio 44870-6175

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Bay View, Erie County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Bay View, Erie County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 17, 2014

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 68,819	\$ 42,183			\$ 111,002
Intergovernmental	45,678	43,300			88,978
Special Assessments	45	6,495			6,540
Fines, Licenses and Permits	24,668	200			24,868
Earnings on Investments	60	25			85
Miscellaneous	18,130	874			19,004
<i>Total Cash Receipts</i>	<u>157,400</u>	<u>93,077</u>			<u>250,477</u>
Cash Disbursements					
Current:					
Security of Persons and Property	59,476	44,812			104,288
Leisure Time Activities	2,798	6,286			9,084
Basic Utility Services	700				700
Transportation	1,759	47,905			49,664
General Government	96,396	600			96,996
Capital Outlay	203				203
Debt Service:					
Principal Retirement	8,850	4,500			13,350
Interest and Fiscal Charges	520	1,600			2,120
<i>Total Cash Disbursements</i>	<u>170,702</u>	<u>105,703</u>			<u>276,405</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(13,302)</u>	<u>(12,626)</u>			<u>(25,928)</u>
Other Financing Receipts					
Other Debt Proceeds				\$ 50,000	50,000
<i>Net Change in Fund Cash Balances</i>	(13,302)	(12,626)		50,000	24,072
<i>Fund Cash Balances, January 1</i>	<u>25,285</u>	<u>57,078</u>	<u>\$ 219</u>		<u>82,582</u>
Fund Cash Balances, December 31					
Restricted		44,452	219	50,000	94,671
Assigned	2,154				2,154
Unassigned	9,829				9,829
<i>Fund Cash Balances, December 31</i>	<u>\$ 11,983</u>	<u>\$ 44,452</u>	<u>\$ 219</u>	<u>\$ 50,000</u>	<u>\$ 106,654</u>

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

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 69,682	\$ 42,405		\$ 112,087
Intergovernmental	55,423	44,505		99,928
Special Assessments	3,307	8,184		11,491
Fines, Licenses and Permits	23,097			23,097
Earnings on Investments	72	25		97
Miscellaneous	832	805		1,637
<i>Total Cash Receipts</i>	<u>152,413</u>	<u>95,924</u>		<u>248,337</u>
Cash Disbursements				
Current:				
Security of Persons and Property	60,101	42,711		102,812
Leisure Time Activities	3,100	9,369		12,469
Basic Utility Services	561			561
Transportation	1,942	36,155		38,097
General Government	99,648	573		100,221
Capital Outlay	200			200
Debt Service:				
Principal Retirement	4,120	4,500		8,620
Interest and Fiscal Charges	1,000	1,600		2,600
<i>Total Cash Disbursements</i>	<u>170,672</u>	<u>94,908</u>		<u>265,580</u>
<i>Net Change in Fund Cash Balances</i>	(18,259)	1,016		(17,243)
<i>Fund Cash Balances, January 1</i>	<u>43,544</u>	<u>56,062</u>	\$ 219	<u>99,825</u>
Fund Cash Balances, December 31				
Restricted		57,078	219	57,297
Assigned	2,453			2,453
Unassigned	22,832			22,832
<i>Fund Cash Balances, December 31</i>	<u>\$ 25,285</u>	<u>\$ 57,078</u>	<u>\$ 219</u>	<u>\$ 82,582</u>

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

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Bay View, Erie County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, park operations (leisure time activities), street and highway (transportation) services, fire protection, ambulance services and police protection services.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Fire and Levy Fund – This fund receives property tax money for providing fire protection and ambulance service within the Village.

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

VILLAGE OF BAY VIEW
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

Debt Service Sunset Plaza Fund – This fund accumulated special assessments for the payment of note debt. The note debt was retired in a previous period and residual monies may be transferred from this fund in accordance with Ohio Revised Code provisions.

4. Capital Project Fund

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

Other Capital Projects Fund – This fund accounts for the proceeds and disbursement of an Ohio Water Development Authority loan for the purpose of wastewater collection and treatment planning for a Village waste water system project.

D. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

2. EQUITY IN POOLED DEPOSITS

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

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

	2013	2012
Demand deposits	\$106,654	\$82,582

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,471	\$157,400	(\$2,071)
Special Revenue	96,370	93,077	(3,293)
Capital Projects	50,000	50,000	
Total	\$305,841	\$300,477	(\$5,364)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,753	\$172,856	\$11,897
Special Revenue	142,220	106,657	35,563
Capital Projects	50,000	50,000	50,000
Total	\$376,973	\$279,513	\$97,460

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,008	\$152,413	\$6,405
Special Revenue	81,686	95,924	14,238
Total	\$227,694	\$248,337	\$20,643

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$188,915	\$173,125	\$15,790
Special Revenue	125,016	95,574	29,442
Total	\$313,931	\$268,699	\$45,232

4. PROPERTY TAX

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

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Police Cruiser Promissory Note	\$4,890	4.66%
Amulance Promissory Note	22,072	4.61%
Ohio Water Development Authority Loan	21,000	0.00%
Total	\$47,962	

The police cruiser promissory note relates to a commercial loan obtained to finance the purchase of a new police cruiser. The Village will repay the loan in annual installments of \$5,120, including interest, over five years.

The ambulance promissory note relates to a commercial loan obtained to finance the purchase of a new ambulance. The Village will repay the loan in annual installments of \$6,177, including interest, over five years.

The Ohio Water Development Authority (OWDA) loan relates to a waste water collection and treatment planning project. The Village was the recipient of \$23,750 in OWDA loan principal forgiveness associated with this loan during 2013. The Village is required to follow the guidelines of the loan agreements. The failure to do so could result in the Village being liable for the principal forgiven. The principal outstanding above assumes the Village will fully comply with the loan guidelines and assumes full principal forgiveness. The Village will repay the remaining loan in semiannual installments of \$2,625 over five years.

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

	Police Cruiser Promissory Note	Ambulance Promissory Note	OWDA Loan
Year ending December 31:			
2014	\$5,120	\$6,177	\$5,250
2015		6,177	5,250
2016		6,177	5,250
2017		6,177	5,250
Total	\$5,120	\$24,708	\$21,000

6. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

B. Social Security System

As of December 31, 2013 and 2012, certain members of the Village Council and volunteer firefighters have elected to participate in Social Security. The Village's liability is 6.2 percent of wages paid.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. MISCELLANEOUS CASH RECEIPTS

In 2013, General Fund Miscellaneous Cash Receipts include an insurance settlement of \$14,880.



Dave Yost • Auditor of State

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

Village of Bay View
Erie County
304 East Bay View Drive
Sandusky, Ohio 44870-6175

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Bay View, Erie County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 17, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of

noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Columbus, Ohio

June 17, 2014

**VILLAGE OF BAY VIEW
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness – Financial Reporting

We identified the following error requiring adjustment to the financial statements for the year ending December 31, 2012:

- Outstanding encumbrances in the General Fund balance in the amount of \$2,453 were reclassified from Unassigned to Assigned.

We also identified errors, such as the following, requiring adjustment to the financial statements for the year ending December 31, 2013:

- Outstanding encumbrances in the General Fund balance in the amount of \$2,154 were reclassified from Unassigned to Assigned; and
- OWDA Loan Proceeds in the Other Capital Projects Fund in the amount of \$50,000 were incorrectly classified as Intergovernmental receipts.

Additionally, immaterial errors not requiring adjustment to the financial statements or notes to the financial statements were noted in the classification of certain receipt and expenditures transactions and amounts posted to the accounting system for estimated receipts ranging from \$77 to \$3,307.

Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk-Treasurer, to identify and correct errors and omissions. Also, the Clerk-Treasurer can refer to the Village Officer's Handbook at the following web site address for guidance on the recording of transactions: <https://ohioauditor.gov/publications/OhioVillageOfficersHandbook2014.pdf>

Officials' Response:

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

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF BAY VIEW

ERIE 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 8, 2014**