



Dave Yost • Auditor of State

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Put-in-Bay
Ottawa County
431 Catawba Avenue
P.O. Box 245
Put-in-Bay, Ohio 43456-0245

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Put-in-Bay, Ottawa County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinions* paragraphs below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Dockage charges for services receipts are reported at \$404,258, and \$404,787 for the years ended December 31, 2016 and 2015, respectively, which are 21 percent of General Fund receipts for the year ended December 31, 2016, and 20 percent of General Fund receipts for the year ended December 31, 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as dockage charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements as it relates to the General Fund referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Put-in-Bay, Ottawa County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Special Revenue Funds, Debt Service Funds, Capital Projects Fund, Enterprise Funds, Agency Fund, and related notes of the Village of Put-in-Bay, Ottawa County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

February 26, 2018

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Village of Put-in-Bay

Ottawa County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,012,564				\$1,012,564
Intergovernmental	51,086	\$53,513			104,599
Special Assessments			\$20,768		20,768
Charges for Services	699,245				699,245
Fines, Licenses and Permits	90,718	31,588			122,306
Earnings on Investments	10,127	1,464			11,591
Miscellaneous	69,502	2,940		\$8,000	80,442
<i>Total Cash Receipts</i>	<u>1,933,242</u>	<u>89,505</u>	<u>20,768</u>	<u>8,000</u>	<u>2,051,515</u>
Cash Disbursements					
Current:					
Security of Persons and Property	784,172	799		3,002	787,973
Leisure Time Activities	282,418	408		2,000	284,826
Community Environment	7,625				7,625
Transportation	78,238	167,033			245,271
General Government	452,961	415	305		453,681
Capital Outlay	77,875			1,301,464	1,379,339
Debt Service:					
Redemption of Principal	257,603		10,994	30,512	299,109
Interest and Fiscal Charges	133,138		2,613	62,000	197,751
<i>Total Cash Disbursements</i>	<u>2,074,030</u>	<u>168,655</u>	<u>13,912</u>	<u>1,398,978</u>	<u>3,655,575</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(140,788)</u>	<u>(79,150)</u>	<u>6,856</u>	<u>(1,390,978)</u>	<u>(1,604,060)</u>
Other Financing Receipts					
Other Debt Proceeds				1,301,464	1,301,464
Sale of Capital Assets				18,000	18,000
<i>Total Other Financing Receipts</i>				<u>1,319,464</u>	<u>1,319,464</u>
<i>Net Changes in Fund Cash Balances</i>	<u>(140,788)</u>	<u>(79,150)</u>	<u>6,856</u>	<u>(71,514)</u>	<u>(284,596)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,715,190</u>	<u>461,195</u>	<u>22,644</u>	<u>146,256</u>	<u>2,345,285</u>
Fund Cash Balances, December 31					
Restricted		355,486	29,500	71,742	456,728
Committed		26,559		3,000	29,559
Assigned	171,387				171,387
Unassigned	1,403,015				1,403,015
<i>Fund Cash Balances, December 31</i>	<u>\$1,574,402</u>	<u>\$382,045</u>	<u>\$29,500</u>	<u>\$74,742</u>	<u>\$2,060,689</u>

See accompanying notes to the financial statements

Village of Put-in-Bay

Ottawa County

Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,209,928		\$1,209,928
Fines, Licenses and Permits		\$68,084	68,084
<i>Total Operating Cash Receipts</i>	<u>1,209,928</u>	<u>68,084</u>	<u>1,278,012</u>
Operating Cash Disbursements			
Personal Services	459,773		459,773
Employee Fringe Benefits	84,980		84,980
Contractual Services	170,657		170,657
Supplies and Materials	266,069		266,069
Other	16,830	69,134	85,964
<i>Total Operating Cash Disbursements</i>	<u>998,309</u>	<u>69,134</u>	<u>1,067,443</u>
<i>Operating Income (Loss)</i>	<u>211,619</u>	<u>(1,050)</u>	<u>210,569</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	42,344		42,344
Miscellaneous Receipts	2,049		2,049
Principal Retirement	(103,007)		(103,007)
Interest and Other Fiscal Charges	(21,010)		(21,010)
Other Financing Sources	6,653		6,653
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(72,971)</u>		<u>(72,971)</u>
<i>Net Changes in Fund Cash Balances</i>	138,648	(1,050)	137,598
<i>Fund Cash Balances, January 1</i>	<u>1,060,672</u>	<u>2,026</u>	<u>1,062,698</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,199,320</u>	<u>\$976</u>	<u>\$1,200,296</u>

See accompanying notes to the financial statements

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Put-in-Bay, Ottawa County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, road maintenance, water and sewer utilities, public health services, park operations, and police services. The Village contracts with Put-in-Bay Township to receive fire protection and emergency medical services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Public Service Street Repair Fund The public service street repair fund accounts for and reports vehicle license fees restricted for repairing streets, avenues, alleys, and lanes within the Village.

Debt Service Funds These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Special Assessment Debt-Bayview Avenue Fund This fund receives special assessments to pay the debt accumulated for this project.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Capital Project Funds These funds account for and report financial resources that are restricted or committed 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:

Miscellaneous Capital Projects Fund This fund is used to account for the bond anticipation note proceeds to be used for the purchase of real estate.

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

Water Operating Fund This fund receives charges for services from residents to cover water service costs.

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. The Village does not have a private purpose trust fund.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activity of the mayor's court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,090,471	\$1,933,242	(\$1,157,229)
Special Revenue	104,838	89,505	(15,333)
Debt Service	18,330	20,768	2,438
Capital Projects	1,313,507	1,327,464	13,957
Enterprise	1,086,355	1,260,974	174,619
Total	<u>\$5,613,501</u>	<u>\$4,631,953</u>	<u>(\$981,548)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,106,015	\$2,080,577	\$25,438
Special Revenue	460,745	168,655	292,090
Debt Service	22,644	13,912	8,732
Capital Projects	1,454,563	1,398,978	55,585
Enterprise	1,484,705	1,148,840	335,865
Total	<u>\$5,528,672</u>	<u>\$4,810,962</u>	<u>\$717,710</u>

Note 4 – Deposits and Investments

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

	<u>2016</u>
Demand deposits	\$2,791,708
STAR Ohio	<u>469,277</u>
Total deposits and investments	<u><u>\$3,260,985</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

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

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

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

Resort Tax

The Village levies a resort income tax of 1.5 percent on income arising from business activities conducted within the Village. Businesses submit the tax to the Ohio Department of Taxation. The Ohio Department of Taxation remits the tax to the Village's general fund monthly.

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property, crime, professional, umbrella, and general liability;
- Vehicles; and
- Marina operators and marine patrol.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Retirement System

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

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

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority		
State Sewer Project Loan #2087	\$73,113	6.87%
State Sewer Project Loan #2088	81,630	6.12%
State Sewer Project Loan #3029	40,654	6.87%
State Water Project Supplement Loan #3030	14,030	5.88%
Water Plan Renovation Loan #4312	74,812	4.00%
Ground Level Storage Project Loan #4735	862,127	1.50%
Phase 1, Phase II WWTP Imp. And Effluent Discharge Loan #5039	802,821	1.50%
Water Intake Improvements Loan #5897	881,290	2.00%
WTP & Intake Phase II Loan #6122	838,060	2.00%
Ohio Public Works Commission		
Water Plant Loan #CU408	19,169	3.00%
Wastewater Treatment Plant Improvements Loan #CE55H	50,665	0.00%
South Bass Island Water System Improvements Loan #CU05K	23,467	0.00%
Waste Water Treatment Plant Effluent Storm Sewer Loan #CE26L	107,402	0.00%
Waste Water Treatment Plant Improvements Loan #CE38K	198,374	0.00%
Water Treatment Raw Water Intake Replacement Loan #CE46O	276,250	0.00%
 Municipal Dock Improvement Project Bonds, Series 2014	 3,910,000	 1-4%
 Bond Anticipation Note	 1,301,464	 2.00%
 Total	 \$9,555,328	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to various water and sewer projects. The Village will repay the loans in semiannual installments through the year 2042. Water and sewer receipts collateralize the loan. The Village Council has also elected to use a portion of the General Fund's resort tax receipts for the repayment of debt related to capital improvements.

Municipal Dock Improvement Project Bonds, Series 2014 were issued in 2014. The proceeds of the bonds were used to provide new money for dock improvements and redeem notes originally issued to finance the construction and improvements for the municipal dock. Revenues derived from the operation of the municipal dock are pledged for the repayment of the bonds. The Village will repay the bonds in semiannual installments through the year 2036.

A Bond Anticipation Note was issued in 2016. The proceeds of this note were used to acquire real estate in the Village. The Village will repay the note in one payment in 2017.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Year ending December 31:	OWDA Loans	OPWC Loans	Municipal Dock Improvement Project Bonds	Bond Anticipation Note
2017	\$263,091	\$39,899	\$258,125	\$1,327,493
2018	284,951	39,899	230,775	
2019	286,188	39,899	229,425	
2020	275,377	39,899	232,625	
2021	246,612	39,899	230,725	
2022-2026	1,154,985	183,398	1,148,475	
2027-2031	1,099,235	152,237	1,153,375	
2032-2036	543,445	77,515	951,138	
2037-2041	169,409	70,511		
2042		10,833		
Total	<u>\$4,323,293</u>	<u>\$693,989</u>	<u>\$4,434,663</u>	<u>\$1,327,493</u>

Note 10 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 11 – Compliance

Contrary to Ohio law, the Village did not allocate receipts, including bond anticipation note proceeds, to the proper funds.

Also contrary to Ohio law, internal controls over the Village’s collection of dock receipts for the General Fund were not in place and operating effectively.

Also, contrary to Ohio law, the Village did not post disbursements to the proper funds.

Also, contrary to Village codified ordinances, the Village did not properly assess penalties and interest on Utility accounts.

Note 12 – Subsequent Event

The Auditor of State is currently conducting an investigation related to the Village. As of the date of this report, the investigation is ongoing. Depending on the outcome, the results of the investigation may be reported in the 2017 audit of the Village.

Village of Put-in-Bay

Ottawa County

Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,047,181				\$1,047,181
Intergovernmental	82,767	\$54,149			136,916
Special Assessments			\$16,156		16,156
Charges for Services	701,368	300			701,668
Fines, Licenses and Permits	69,554	26,785			96,339
Earnings on Investments	7,879	1,254			9,133
Miscellaneous	76,814	5,261		\$7,000	89,075
<i>Total Cash Receipts</i>	<u>1,985,563</u>	<u>87,749</u>	<u>16,156</u>	<u>7,000</u>	<u>2,096,468</u>
Cash Disbursements					
Current:					
Security of Persons and Property	555,754			3,461	559,215
Public Health Services	7,698				7,698
Leisure Time Activities	244,307	9,581		956	254,844
Community Environment	12,041				12,041
Transportation	83,498	4,210			87,708
General Government	443,526	4,723	317		448,566
Capital Outlay	38,834			11,566	50,400
Debt Service:					
Redemption of Principal	127,426		10,062	27,409	164,897
Interest and Fiscal Charges	151,670		6,602	72,000	230,272
<i>Total Cash Disbursements</i>	<u>1,664,754</u>	<u>18,514</u>	<u>16,981</u>	<u>115,392</u>	<u>1,815,641</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>320,809</u>	<u>69,235</u>	<u>(825)</u>	<u>(108,392)</u>	<u>280,827</u>
Other Financing Receipts (Disbursements)					
Transfers In				5,000	5,000
Transfers Out	(5,000)				(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>			<u>5,000</u>	
<i>Net Changes in Fund Cash Balances</i>	<u>315,809</u>	<u>69,235</u>	<u>(825)</u>	<u>(103,392)</u>	<u>280,827</u>
<i>Fund Cash Balances, January 1</i>	<u>1,399,381</u>	<u>391,960</u>	<u>23,469</u>	<u>249,648</u>	<u>2,064,458</u>
Fund Cash Balances, December 31					
Restricted		436,583	22,644	144,256	603,483
Committed		24,612		2,000	26,612
Unassigned	1,715,190				1,715,190
<i>Fund Cash Balances, December 31</i>	<u>\$1,715,190</u>	<u>\$461,195</u>	<u>\$22,644</u>	<u>\$146,256</u>	<u>\$2,345,285</u>

See accompanying notes to the financial statements

Village of Put-in-Bay*Ottawa County**Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2015*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,094,892		\$1,094,892
Fines, Licenses, and Permits		\$33,300	\$33,300
<i>Total Operating Cash Receipts</i>	<u>1,094,892</u>	<u>33,300</u>	<u>1,128,192</u>
Operating Cash Disbursements			
Personal Services	367,470		367,470
Employee Fringe Benefits	141,357		141,357
Contractual Services	188,666		188,666
Supplies and Materials	210,331		210,331
Other	18,662	35,100	53,762
<i>Total Operating Cash Disbursements</i>	<u>926,486</u>	<u>35,100</u>	<u>961,586</u>
<i>Operating Income (Loss)</i>	<u>168,406</u>	<u>(1,800)</u>	<u>166,606</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	33,973		33,973
Miscellaneous Receipts	1,949		1,949
Capital Outlay	(248,732)		(248,732)
Principal Retirement	(75,429)		(75,429)
Interest and Other Fiscal Charges	(63,917)		(63,917)
Other Financing Sources	7,354		7,354
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(344,802)</u>		<u>(344,802)</u>
<i>Net Changes in Fund Cash Balances</i>	(176,396)	(1,800)	(178,196)
<i>Fund Cash Balances, January 1</i>	<u>1,237,068</u>	<u>3,826</u>	<u>1,240,894</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,060,672</u>	<u>\$2,026</u>	<u>\$1,062,698</u>

See accompanying notes to the financial statements

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Put-in-Bay, Ottawa County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, road maintenance, water and sewer utilities, public health services, park operations, and police services. The Village contracts with Put-in-Bay Township to receive fire protection and emergency medical services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Put-in-Bay Arts Council Fund The Put-in-Bay Arts Council is a group formed to offer art enrichment programs and events to the community. The fund receives donations that are used for funding and supplies of programs and events.

Safe Routes Fund The Village was the recipient of a safe routes grant. The safe routes fund accounts for grant proceeds and related restricted expenditures.

Mayor's Court Computer Fund The mayor's court computer accounts for and reports additional fees collected by the mayor's court that are used for procuring and maintaining the mayor's court computer system.

Debt Service Funds These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Special Assessment Debt-Bayview Avenue Fund This fund receives special assessments to pay the debt accumulated for this project.

Capital Project Funds These funds account for and report financial resources that are restricted or committed 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:

Dock Project Fund This fund is used to account for the bond proceeds to be used for capital improvements of the Village's Docks.

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

Water Operating Fund This fund receives charges for services from residents to cover water service costs.

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. The Village does not have a private purpose trust fund.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activity of the mayor's court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,782,164	\$1,985,563	\$203,399
Special Revenue	107,838	87,749	(20,089)
Debt Service	18,330	16,156	(2,174)
Capital Projects	10,700	12,000	1,300
Enterprise	1,091,355	1,138,168	46,813
Total	\$3,010,387	\$3,239,636	\$229,249

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,029,114	\$1,677,913	\$351,201
Special Revenue	393,761	18,514	375,247
Debt Service	23,469	16,981	6,488
Capital Projects	249,647	115,392	134,255
Enterprise	1,499,504	1,321,193	178,311
Total	\$4,195,495	\$3,149,993	\$1,045,502

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 – Deposits and Investments

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

	2015
Demand deposits	<u>\$2,941,205</u>
STAR Ohio	<u>466,778</u>
Total deposits and investments	<u><u>\$3,407,983</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

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

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

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

Resort Tax

The Village levies a resort income tax of 1.5 percent on income arising from business activities conducted within the Village. Businesses submit the tax to the Ohio Department of Taxation. The Ohio Department of Taxation remits the tax to the Village's general fund monthly.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property, crime, professional, umbrella, and general liability;
- Vehicles; and
- Marina operators and marine patrol.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F participants contributed 11.5% of their wages through June 30, 2015, and participants contributed 12.25% of their wages beginning July 1, 2015. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority		
State Sewer Project Loan #2087	\$91,113	6.87%
State Sewer Project Loan #2088	92,625	6.12%
State Sewer Project Loan #3029	50,663	6.87%
State Water Project Supplement Loan #3030	17,550	5.88%
Water Plant Renovation Loan #4312	82,071	4.00%
Ground Level Storage Project Loan #4735	897,801	1.50%
Phase 1, Phase II WWTP Imp. And Effluent Discharge Loan #5039	831,854	1.50%
Water Intake Improvements Loan #5897	931,864	2.00%
WTP & Intake Phase II Loan #6122	881,720	2.00%
Ohio Public Works Commission		
Water Plant Loan #CU408	22,226	3.00%
Wastewater Treatment Plant Improvements Loan #CE55H	55,998	0.00%
South Bass Island Water System Improvements Loan #CU05K	25,272	0.00%
Waste Water Treatment Plant Effluent Storm Sewer Loan #CE26L	112,071	0.00%
Waste Water Treatment Plant Improvements Loan #CE38K	212,055	0.00%
Water Treatment Raw Water Intake Replacement Loan #CE46O	287,084	0.00%
Municipal Dock Improvement Project Bonds, Series 2014	3,995,000	1-4%
Total	<u>\$8,586,967</u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to various water and sewer projects. The Village will repay the loans in semiannual installments through the year 2042. Water and sewer receipts collateralize the loans. The Village Council has also elected to use a portion of the General Fund's resort tax receipts for the repayment of debt related to capital improvements.

Municipal Dock Improvement Project Bonds, Series 2014 were issued in 2014. The proceeds of the bonds were used to provide new money for dock improvements and redeem notes originally issued to finance the construction and improvements for the municipal dock. Revenues derived from the operation of the municipal dock are pledged for the repayment of the bonds. The Village will repay the bonds in semiannual installments through the year 2036.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Year ending December 31:	OWDA Loans	OPWC Loans	Municipal Dock Improvement Project Bonds
2016	\$215,151	\$40,506	\$228,400
2017	263,091	39,899	232,125
2018	284,951	39,899	230,775
2019	286,188	39,899	229,425
2020	275,377	39,899	232,625
2021-2025	1,181,750	186,975	1,149,525
2026-2030	1,099,235	161,137	1,152,375
2031-2035	672,883	92,958	1,148,375
2036-2040	259,818	75,180	33,438
2041-2042		21,666	
Total	\$4,538,444	\$738,018	\$4,637,063

Note 10 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 11 – Miscellaneous Receipts

During 2015, Special Revenue and Capital Projects Fund Type miscellaneous receipts consisted primarily of donations and contributions.

Note 12 - Compliance

Contrary to Village codified ordinances, the Village did not properly assess penalties and interest on utility accounts.

Also contrary to Ohio law, internal controls over the Village’s collection of dock receipts for the General Fund were not in place and operating effectively.

Also, contrary to Ohio law, the Village did not post receipts to the proper funds.

Note 13 – Subsequent Event

The Auditor of State is currently conducting an investigation related to the Village. As of the date of this report, the investigation is ongoing. Depending on the outcome, the results of the investigation may be reported in the 2017 audit of the Village.



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 Put-in-Bay
Ottawa County
431 Catawba Avenue
P.O. Box 245
Put-in-Bay, Ohio 43456-0245

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Put-in-Bay, Ottawa County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated February 26, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as General Fund charges for services receipts.

Internal Control Over Financial Reporting

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

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

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. We consider findings 2016-001 through 2016-005 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-006 described in the accompanying schedule of findings to be significant a deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-004 and 2016-006.

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 26, 2018

**VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Noncompliance / Material Weakness

Ohio Admin. Code 117-2-01(A) provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

Ohio Admin. Code 117-2-02 (B)(1)(b) provides that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

(1) Assertions about classes of transactions and events for the period under audit:

(b) Completeness: All transactions and events that should have been recorded have been recorded.

Ohio Admin. Code 117-2-01(D) provides that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed and maintained.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

Internal controls over the Village's collection of dock receipts for the General Fund were not in place and operating effectively.

The following matters were noted during procedures performed:

- Individual dock permits did not always indicate the method of payment;
- Individual dock permits did not always indicate the length of the boat;
- The rates charged were not always in accordance with the rates approved by Village Council; and
- The Fiscal Officer was involved in preparing deposits and posting receipt information to the accounting system with no compensating controls in place, resulting in a lack of adequate segregation of duties.

Accordingly, we were unable to obtain assurances for completeness over dock receipts, which accounted for twenty-one percent of the General Fund receipts for the year ended December 31, 2016 and twenty percent for the year ended December 31, 2015.

Lack of controls and poor recordkeeping increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Therefore, having no reliable source documentation to substantiate daily receipts prohibits the assurance of completeness.

**FINDING NUMBER 2016-001
 (CONTINUED)**

We recommend the Village:

- Ensure that each permit issued contains the correct method of payment;
- Ensure that each permit issued is complete, including a general description (jet ski, boat), vessel length, and how long the vessel is docked;
- Ensure the dockhands are calculating the amount due based on rates that have been approved by Council; and
- Consider involving personnel separate of the dock receipt process (dock hands) and Fiscal Officer to prepare deposits. Such personnel could include the Village Administrator, dock master, or other appropriate individuals.

Officials' Response:

The Village will design and implement controls over dock receipts, including but not limited ensuring the proper charging and recording of rates and payments and utilizing independent personnel in the preparation of deposits. The Fiscal Officer will work with the administration to ensure cross checking and financial accountability with daily dock revenues.

FINDING NUMBER 2016-002

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Fiscal Officer posted special assessments, permissive motor vehicle license tax, gasoline excess tax, state highway distributions, and motor vehicle license tax receipts to the incorrect funds during the years ended December 31, 2016 and 2015. The following table illustrates the errors in posting by fund:

<u>Fund Type/Fund</u>	<u>2016 Amount Adjusted</u>	<u>2015 Amount Adjusted</u>
General Fund	(\$14,115)	(\$451)
Special Revenue Fund Type:		
Street Construction, Maintenance, and Repair	(583)	227
State Highway	583	(310)
Permissive MVL	2,921	534
Debt Service Fund Type:		
Special Assessment Bayview	11,194	

These errors were not identified and corrected prior to the audit due to deficiencies in the Villages internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Officer 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. The accompanying financial statements and Village accounting records have been adjusted to reflect these changes.

**FINDING NUMBER 2016-002
(CONTINUED)**

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Village Officer's Handbook, available from the following web address, for guidance on the posting of transactions:
<http://www.ohioauditor.gov/publications/AMENDEDVillageOfficerHandbook%207-12-17.pdf>

Officials' Response:

The Fiscal Officer has already made the proper adjustments recommended by the Auditor's Office and will ensure that all special assessments are posted to the correct funds going forward. The Village will also implement new policies or protocols governing financial reporting to ensure that errors or omissions are able to be identified and timely corrected.

FINDING NUMBER 2016-003

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.10(E) provides, in part, that all proceeds from the sale of public obligations as defined in section 133.01 of the Ohio Rev. Code, except premium and accrued interest, shall be paid into a special fund for the purpose of such issue.

Ohio Rev. Code § 133.01(GG) defines public obligations as:

- Securities;
- Obligations of a public issuer to make payments under installment sale, lease, lease purchase, or similar agreements, which obligations may bear interest or interest equivalent.

Ohio Rev. Code § 133.01(KK) defines "securities," in pertinent part, as bonds, notes, certificates of indebtedness, commercial paper, and other instruments in writing, including, unless the context does not admit, anticipatory securities, issued by an issuer to evidence its obligation to repay money borrowed, or to pay interest, by, or to pay at any future time other money obligations of, the issuer of the securities.

During the year ended December 31, 2016, the Village issued a bond anticipation note in the amount of \$1,301,464 for the purchase of real estate. However, the proceeds were incorrectly placed into the General Fund rather than a separate special fund.

This error was the result of inadequate policies and procedures over posting debt transactions. The accompanying financial statements and note disclosures were adjusted to reflect the debt proceeds and corresponding capital outlay disbursement, including authorized budgeted receipts and appropriations, in the Capital Project Fund Type. We recommend the Village properly record debt proceeds in accordance with Ohio Rev. Code § 5705.10(E).

Officials' Response:

The Fiscal Officer has already made the proper adjustment recommended by the Auditor's Office and will record debt proceeds in the correct special capital project fund going forward. The Village will also implement new policies or protocols governing financial reporting to ensure that any errors or omissions are able to be identified and timely corrected.

FINDING NUMBER 2016-004

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund is established.

Ohio Rev. Code § 715.66 provides, in part, that all moneys and receipts credited to the public service street repair fund shall be used for the sole purpose of repairing streets, avenues, alleys, and lanes within such municipal corporation.

During the year ended December 31, 2016, the Village paid \$50,000 for a payment to an escrow account associated with the purchase of land from the Public Service Street Repair fund. This payment is not consistent with the purposes for which this fund was established.

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Officer 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. The accompanying financial statements and Village accounting records have been adjusted to reflect this payment as being made from the Capital Projects Fund Type (\$45,226) and general fund (\$4,774).

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Village Officers Handbook, available from the following web address, for guidance on the posting of transactions:

<http://www.ohioauditor.gov/publications/AMENDEDVillageOfficerHandbook%207-12-17.pdf>

Officials' Response:

The Fiscal Officer has already made the proper adjustment recommended by the Auditor's Officer and will ensure monitoring use of special funds. The Village will also implement new policies or protocols governing financial reporting to ensure that any errors or omissions are able to be identified and timely corrected.

FINDING NUMBER 2016-005

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer 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. We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016:

- General Fund unassigned fund balance in the amount of \$171,387 was reclassified to assigned in order to accurately reflect fund balance classification in accordance with Government Accounting Standards Board Statement No. 54;
- Special Revenue Fund Type actual receipts, budgeted expenditures (appropriations), and actual expenditures were decreased in the amounts of \$71,426, \$100,223 and \$92,512, respectively, in order to bring amounts reported in the notes to the financial statement in line with authorized budget and accounting system amounts;

**FINDING NUMBER 2016-005
(CONTINUED)**

- Opening fund balances (\$6,407), actual receipts (\$21,000), actual disbursements (\$5,002), ending fund balances (\$22,405), budgeted receipts (\$200), and budgeted expenditures (\$6,407) associated the Dock Project Fund, Town Hall Improvement Fund, and the Law Enforcement Capital Fund were reclassified from the Special Revenue Fund Type to the Capital Projects Fund Type in accordance with Governmental Accounting Standards Board Statement No. 54;
- Debt Service Fund Type actual receipts were increased in the amount of \$9,574 in order to bring amounts reported in the notes to the financial statements in line with authorized budget and accounting system amounts; and
- The Village's annual report submitted via the HINKLE system omitted mayor's court Agency Fund activity. The financial statements have been adjusted to include mayor's court Agency Fund opening fund balance (\$2,026), actual receipts (\$68,084), actual disbursements (\$69,134), and ending fund balance (\$976).

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2015:

- Opening fund balances (\$8,824), actual receipts (\$2,000), actual disbursements (\$4,417), ending fund balances (\$6,407), budgeted receipts (\$700), and budgeted expenditures (\$8,824) associated the Dock Project Fund, Town Hall Improvement Fund, and the Law Enforcement Capital Fund were reclassified from the Special Revenue Fund Type to the Capital Projects Fund Type in accordance with Governmental Accounting Standards Board Statement No. 54; and
- The Village's annual report submitted for audit omitted mayor's court Agency Fund activity. The financial statements have been adjusted to include mayor's court Agency Fund opening fund balance (\$3,826), actual receipts (\$33,300), actual disbursements (\$35,100), and ending fund balance (\$2,026).

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect the changes noted above. Additional insignificant errors were also noted for the years ended December 31, 2016 and 2015.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Village Officers Handbook, available from the following web address, for guidance on the posting of transactions:
<http://www.ohioauditor.gov/publications/AMENDEDVillageOfficerHandbook%207-12-17.pdf>

The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:
<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Officials' Response:

The Village will design and implement improved controls over discrepancies in financial activities and reporting. The Fiscal Officer will continue to closely monitor financial statements, transaction of postings and policies and procedures and will work with Village Council to ensure appropriate financial reporting protocols are followed.

FINDING NUMBER 2016-006

Noncompliance / Significant Deficiency

Codified Ordinances of Put-in-Bay Chapter 1042.12(a) provides that the Village shall assess a delinquent rate of 10% of the total monthly water utility bill for those bills paid after the due date. In addition, the Village shall assess a delinquent rate of 2% per month of the total monthly water utility bill for those bills outstanding 30 days beyond the due date, until such bill is paid.

The Rules and Regulations of the Village of Put-in-Bay Utility Department Section 100.32(a) establishes the 20th of each month as the billing due date.

Sixty-eight percent of transactions examined for year ended December 31, 2016 and thirty-one percent of transactions examined for the year ended December 31, 2015 did not have interest and penalties assessed for utility billings that were paid after the due date established above.

These matters were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over utility billing monitoring and delinquent rate assessments. The failure to properly assess delinquent rates subjects the Village to an unnecessary loss of funds related to delinquent utility payments.

The Village should design and implement policies and procedures to help assure that delinquent rates are assessed in accordance with the provisions above.

Officials' Response:

The Village is already in the process of revising its policies and procedures to ensure utility billing, including interest and penalties for delinquency, is appropriately executed and monitored.



Village of Put-in-Bay

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness for errors in financial reporting initially reported as Finding 2013-001.	Not corrected and reissued as Finding 2016-001 in this report	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. Also see Officials' Response to Finding 2016-005.

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Dave Yost • Auditor of State

VILLAGE OF PUT-IN-BAY

OTTAWA 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
MARCH 1, 2018