



**Auditor of State
Betty Montgomery**

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' 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:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Put-in-Bay, Ottawa County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Put-in-Bay, Ottawa County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Street Construction Maintenance and Repair and Public Service Street Repair funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

November 7, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Put-in-Bay's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$61,811, or 9.5 percent, a moderate change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund which realized increased collections in the Village's resort tax, and the Public Service Street Repair Fund which realized increased collections of the Village's vehicle tax.
- The Village's general receipts are primarily property and other local taxes. These receipts represent 28 percent of the total cash received for governmental activities during the year.
- Net assets of business-type activities increased \$86,778, or 16.4 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Sewer Capital Improvement Fund, which realized increased tap fees derived from non-Village residents tapping into the Village's sewer system.
- The Village's program receipts are primarily user fees and assessments (charges for services) charged for the use of the Village's docks, bath house and water and sewer system. These receipts represent respectively 34.6 and 93.9 percent of the total cash received for governmental and business-type activities during the year, respectively. During the fiscal year ended December 31, 2004, a highly publicized incident of gastrointestinal illnesses affecting visitor's to the Island resulted in a significant decline in tourists visiting the Island, resulting in lessened use of the Village docks and bath house. During fiscal year 2005 as tourism increased these revenues increased.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**VILLAGE OF PUT-IN-BAY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. Resort and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Business-type activity. The Village has six business-type activities, the provision of water, sewer, sewer capital improvements, sewer project loans and water and sewer recoup funds. Business-type activities are financed by a fee or special assessment charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Street Construction Maintenance and Repair, Public Service Street Repair, and Water Capital Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major enterprise funds are the Water Operating, Sewer Operating, and Sewer Capital Improvements Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	716,071	654,260	614,578	527,800	1,330,649	1,182,060
Total Assets	716,071	654,260	614,578	527,800	1,330,649	1,182,060
Net Assets						
Restricted for:						
Debt Service	9,986	8,657			9,986	8,657
Capital Outlay	11,211	10,579			11,211	10,579
Other Purposes	311,154	258,790			311,154	258,790
Unrestricted	383,720	376,234	614,578	527,800	998,298	904,034
Total Net Assets	\$716,071	\$654,260	\$614,578	\$527,800	\$1,330,649	\$1,182,060

As mentioned previously, net assets of governmental activities increased \$61,811 or 9.5 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Increase in resort tax receipts. During the fiscal year ended December 31, 2004, a highly publicized incident of gastrointestinal illnesses affecting visitor's to the Island resulted in a significant decline in tourists visiting the Island, resulting in lower business receipts leading to decreased resort taxes. Fiscal year 2005 resort tax receipts increased \$99,220, or 27.7 percent, from the previous year.
- The legality of the Village's vehicle tax was challenged and resolved during the year ending December 31, 2004. Upon determination that the tax was legal, the Village collected vehicle taxes amounting to an increase of \$20,980, or 87.73 percent.

As mentioned previously, net assets of business-type activities increased \$86,778 or 16.4 percent during 2005. The primary reason contributing to the increase in cash balances are as follows:

- Increase in the Sewer Capital Improvements Fund. The gastrointestinal illnesses noted above for the year ending December 31, 2004, decreased travel to the Village and South Bass Island in general. The Village began offering non-Village residents as well as those residents that were not utilizing the Villages sewer system the chance to tap into it. As a result, user fees have been increasing since fiscal year 2003. Operating revenues of \$106,398 with expenditures of \$1,281 resulted in an increase of \$105,117 to the balance in this fund at December 31.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$655,393	\$644,299	\$1,299,692
Operating Grants and Contributions	121,645		121,645
Capital Grants and Contributions	467,265	20,637	487,902
Total Program Receipts	<u>1,244,303</u>	<u>664,936</u>	<u>1,909,239</u>
General Receipts:			
Property and Other Local Taxes	530,237		530,237
Grants and Entitlements Not Restricted to Specific Programs	57,189		57,189
Interest	20,759		20,759
Miscellaneous	43,378	21,201	64,579
Total General Receipts	<u>651,563</u>	<u>21,201</u>	<u>672,764</u>
Total Receipts	<u>1,895,866</u>	<u>686,137</u>	<u>2,582,003</u>
Disbursements:			
General Government	254,499		254,499
Security of Persons and Property:	453,666		453,666
Public Health Services	4,673		4,673
Leisure Time Activities	291,738		291,738
Community Environment	1,200		1,200
Transportation	113,725		113,725
Capital Outlay	539,707		539,707
Principal Retirement	109,172		109,172
Interest and Fiscal Charges	65,675		65,675
Water Operating		315,236	315,236
Sewer Operating		244,916	244,916
Sewer Capital Improvement		1,281	1,281
Sewer Project Loan		37,926	37,926
Total Disbursements	<u>1,834,055</u>	<u>599,359</u>	<u>2,433,414</u>
Increase in Net Assets	61,811	86,778	148,589
Net Assets, January 1, 2005	654,260	527,800	1,182,060
Net Assets, December 31, 2005	<u>\$716,071</u>	<u>\$614,578</u>	<u>\$1,330,649</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Program receipts represent 73.9 percent of total receipts and are primarily comprised of charges for services and sales from the Village docks and bath house and water and sewer user fees and assessments.

General receipts represent 26.1 percent of the Village's total receipts, and of this amount, 78.8 percent are property and other local taxes. State grants and entitlements and miscellaneous receipts make up the balance of the Village's general receipts (18.1 percent). Interest receipts are very insignificant and are somewhat unpredictable due to fluctuations in interest rates and the balance of funds available for investment.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and the Clerk-Treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, the Village tries to limit these costs.

Security of Persons and Property are the costs of police protection; Public Health Services are the clinic/EMS contributions; Leisure Time Activities are the costs of maintaining the docks, parks and playing fields; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and capital outlay, which account for 24.7 and 29.4 percent of all governmental disbursements, respectively. General government and leisure time activities also represent significant costs, about 13.9 and 15.9 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide or offset the cost of providing a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$254,499	\$32,912
Security of Persons and Property	453,666	243,174
Public Health Services	4,673	4,673
Leisure Time Activities	291,738	5,047
Community Environment	1,200	(220)
Basic Utilities		(467,265)
Transportation	113,725	56,877
Capital Outlay	539,707	539,707
Principal Retirement	109,172	109,172
Interest and Fiscal Charges	65,675	65,675
Total Expenses	<u>\$1,834,055</u>	<u>\$589,752</u>

The dependence upon property and income tax receipts is apparent as over 32.2 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water and sewer operations of the Village are growing and routinely reports cash disbursements in excess of cash receipts. The Village also received notification from the Ohio EPA that it must provide water services to Put-in-Bay Township due to the previously mentioned gastrointestinal illnesses affecting visitors to the Island during fiscal year 2004.

The Village's Funds

Total governmental funds had receipts of \$1,895,866 and disbursements of \$1,834,055. The greatest change within governmental funds occurred within the Public Service Street Repair Fund. The fund balance of the Public Service Street Repair Fund increased \$44,895 as the result of the collection of vehicle tax fees following the determination that the tax was legal.

General Fund receipts were greater than disbursements by \$7,486 indicating that the General Fund was not in a deficit spending situation.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget several times through intra-fund budget modifications to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was \$195,933.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Final disbursements were budgeted at \$1,483,278 while actual disbursements were \$1,295,491. Although receipts exceeded expectations, appropriations were not increased in total. The result is the increase in fund balance of \$7,486 for 2005

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt included \$1,190,811 in Ohio Water Development Authority (OWDA) loans, and \$47,290 in Ohio Public Works Commission (OPWC) loans issued for various water and sewer improvements and expansions. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for government is to provide quality services to the public. The Ohio EPA has mandated that the Village of Put-in-Bay provide water services to Put-in-Bay Township. The beginning of this project, a water line "loop," should be completed by the summer of 2007. The project is under the auspices of Ottawa County. The Village has had only indirect expenses in the construction of this loop. The Village, however, will provide the treated water for the residents and businesses within Put-in-Bay Township.

Even though the Village places a 50% surcharge on the water sold in the Township, it is highly improbable that this increase in revenue to the Village will cover the expenses of the need for increased physical capacity of the treatment facilities, the need for increased man power, and the increased expenses of continuous maintenance and operations of the Water Treatment Facility and distribution system.

Funding water services to Put-in-Bay Township within the projected increase in revenues in relationship to the increase in expenses shall prove to be a challenge for the officials of the Village of Put-in-Bay.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Faris, Clerk-Treasurer, Village of Put-in-Bay, 431 Catawba Avenue, P.O. Box 245, Put-in-Bay, Ohio 43456-0245.

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

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$716,071	\$614,578	\$1,330,649
<i>Total Assets</i>	\$716,071	\$614,578	\$1,330,649
 Net Assets			
Restricted for:			
Capital Projects	\$11,211		\$11,211
Debt Service	9,986		9,986
Other Purposes	311,154		311,154
Unrestricted	383,720	614,578	998,298
<i>Total Net Assets</i>	\$716,071	\$614,578	\$1,330,649

See accompanying notes to the basic financial statements

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

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$254,499	\$191,792	\$29,795	
Security of Persons and Property	453,666	187,678	22,814	
Public Health Services	4,673			
Leisure Time Activities	291,738	274,503	12,188	
Community Environment	1,200	1,420		
Basic Utility Services				\$467,265
Transportation	113,725		56,848	
Capital Outlay	539,707			
Debt Service:				
Principal	109,172			
Interest and Fiscal Charges	65,675			
<i>Total Governmental Activities</i>	1,834,055	655,393	121,645	467,265
Business Type Activities				
Water Operating	315,236	277,238		
Water CC Recoup				4,484
Sewer Operating	244,916	220,875		
Sewer Capital Improvement	1,281	106,398		
Sewer Project Loan OWDA (0677)	37,926	39,788		
Sewer CC Recoup				16,153
<i>Total Business Type Activities</i>	599,359	644,299		20,637
Total	\$2,433,414	\$1,299,692	\$121,645	\$487,902

General Receipts

Property Taxes Levied for:

 General Purposes

 Other Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements)		
Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$32,912)		(\$32,912)
(243,174)		(243,174)
(4,673)		(4,673)
(5,047)		(5,047)
220		220
467,265		467,265
(56,877)		(56,877)
(539,707)		(539,707)
(109,172)		(109,172)
(65,675)		(65,675)
(589,752)		(589,752)
	(\$37,998)	(37,998)
	4,484	4,484
	(24,041)	(24,041)
	105,117	105,117
	1,862	1,862
	16,153	16,153
	65,577	65,577
(\$589,752)	\$65,577	(\$524,175)
72,361		72,361
457,876		457,876
57,189		57,189
20,759		20,759
43,378	21,201	64,579
651,563	21,201	672,764
61,811	86,778	148,589
654,260	527,800	1,182,060
\$716,071	\$614,578	\$1,330,649

See accompanying notes to the basic financial statements

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

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Public Service Street Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$383,720	\$95,878	\$123,869	\$112,604	\$716,071
<i>Total Assets</i>	<u>\$383,720</u>	<u>\$95,878</u>	<u>\$123,869</u>	<u>\$112,604</u>	<u>\$716,071</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	383,720				383,720
Special Revenue Funds		95,878	123,869	91,407	311,154
Debt Service Fund				9,986	9,986
Capital Projects Funds				11,211	11,211
<i>Total Fund Balances</i>	<u>\$383,720</u>	<u>\$95,878</u>	<u>\$123,869</u>	<u>\$112,604</u>	<u>\$716,071</u>

See accompanying notes to the basic financial statements

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

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Street Construction Maintenance and Repair	Public Service Street Repair	Water Capital Improvements	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$530,237					\$530,237
Special Assessments					\$18,387	18,387
Charges for Services	529,036				2,600	531,636
Fines, Licenses and Permits	75,839		\$44,895		3,024	123,758
Intergovernmental	107,568	\$47,364		\$422,443	37,719	615,094
Interest	16,921	2,778			1,060	20,759
Miscellaneous	43,376				12,619	55,995
<i>Total Receipts</i>	<u>1,302,977</u>	<u>50,142</u>	<u>44,895</u>	<u>422,443</u>	<u>75,409</u>	<u>1,895,866</u>
Disbursements						
Current:						
General Government	249,746				4,753	254,499
Security of Persons and Property	452,456				1,210	453,666
Public Health Services	4,673					4,673
Leisure Time Activities	279,314				12,424	291,738
Community Environment	1,200					1,200
Transportation	58,458	55,267				113,725
Capital Outlay	91,461			422,443	25,803	539,707
Debt Service:						
Principal Retirement	103,451				5,721	109,172
Interest and Fiscal Charges	54,732				10,943	65,675
<i>Total Disbursements</i>	<u>1,295,491</u>	<u>55,267</u>		<u>422,443</u>	<u>60,854</u>	<u>1,834,055</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,486</u>	<u>(5,125)</u>	<u>44,895</u>		<u>14,555</u>	<u>61,811</u>
<i>Fund Balances Beginning of Year</i>	<u>376,234</u>	<u>101,003</u>	<u>78,974</u>		<u>98,049</u>	<u>654,260</u>
<i>Fund Balances End of Year</i>	<u>\$383,720</u>	<u>\$95,878</u>	<u>\$123,869</u>		<u>\$112,604</u>	<u>\$716,071</u>

See accompanying notes to the basic financial statements

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

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$434,300	\$434,300	\$530,237	\$95,937
Charges for Services	511,918	511,918	529,036	17,118
Fines, Licenses and Permits	56,275	56,275	75,839	19,564
Intergovernmental	95,051	95,051	107,568	12,517
Interest	7,500	7,500	16,921	9,421
Miscellaneous	2,000	2,000	43,376	41,376
<i>Total receipts</i>	<u>1,107,044</u>	<u>1,107,044</u>	<u>1,302,977</u>	<u>195,933</u>
Disbursements				
Current:				
General Government	272,991	294,301	249,746	44,555
Security of Persons and Property	437,580	452,676	452,456	220
Public Health Services	4,673	4,673	4,673	
Leisure Time Activities	304,433	314,433	279,314	35,119
Community Environment	600	1,200	1,200	
Transportation	76,500	76,500	58,458	18,042
Capital Outlay	236,501	181,312	91,461	89,851
Debt Service:				
Principal Retirement	100,000	103,451	103,451	
Interest and Fiscal Charges	50,000	54,732	54,732	
<i>Total Disbursements</i>	<u>1,483,278</u>	<u>1,483,278</u>	<u>1,295,491</u>	<u>187,787</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(376,234)	(376,234)	7,486	383,720
<i>Fund Balance Beginning of Year</i>	<u>376,234</u>	<u>376,234</u>	<u>376,234</u>	
<i>Fund Balance End of Year</i>			<u>\$383,720</u>	<u>\$383,720</u>

See accompanying notes to the basic financial statements

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

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction Maintenance and Repair Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$43,000	\$43,000	\$47,364	\$4,364
Interest	1,000	1,000	2,778	1,778
<i>Total receipts</i>	<u>44,000</u>	<u>44,000</u>	<u>50,142</u>	<u>6,142</u>
Disbursements				
Current:				
Transportation	<u>145,003</u>	<u>145,003</u>	<u>55,267</u>	<u>89,736</u>
<i>Total Disbursements</i>	<u>145,003</u>	<u>145,003</u>	<u>55,267</u>	<u>89,736</u>
<i>Excess of Receipts (Under) Disbursements</i>	(101,003)	(101,003)	(5,125)	95,878
<i>Fund Balance Beginning of Year</i>	<u>101,003</u>	<u>101,003</u>	<u>101,003</u>	
<i>Fund Balance End of Year</i>			<u><u>\$95,878</u></u>	<u><u>\$95,878</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Public Service Street Repair Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Fines, Licenses and Permits			\$44,895	\$44,895
<i>Total receipts</i>			44,895	44,895
Disbursements				
Current:				
Transportation	78,974	78,974		78,974
<i>Total Disbursements</i>	78,974	78,974		78,974
<i>Excess of Receipts Over (Under) Disbursements</i>	(78,974)	(78,974)	44,895	123,869
<i>Fund Balance Beginning of Year</i>	78,974	78,974	78,974	
<i>Fund Balance End of Year</i>			\$123,869	\$123,869

See accompanying notes to the basic financial statements

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

*Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2005*

	Business-Type Activities				Total Enterprise Funds
	Water Operating	Sewer Operating	Sewer Capital Improvements	Non-Major Enterprise Funds	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$52,707	\$14,746	\$523,472	\$23,653	\$614,578
<i>Total Assets</i>	<u>\$52,707</u>	<u>\$14,746</u>	<u>\$523,472</u>	<u>\$23,653</u>	<u>\$614,578</u>
Net Assets					
Unrestricted	<u>\$52,707</u>	<u>\$14,746</u>	<u>\$523,472</u>	<u>\$23,653</u>	<u>\$614,578</u>

See accompanying notes to the basic financial statements

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

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities				Total Enterprise Funds
	Water Operating	Sewer Operating	Sewer Capital Improvements	Non-Major Enterprise Funds	
Operating Receipts					
Charges for Services	\$277,238	\$220,875	\$106,398	\$39,788	\$644,299
Operating Disbursements					
Personal Services	70,948	63,216			134,164
Fringe Benefits	33,698	24,920			58,618
Contractual Services	35,375	54,186			89,561
Materials and Supplies	169,980	102,594			272,574
Capital Outlay			1,281		1,281
<i>Total Operating Disbursements</i>	<u>310,001</u>	<u>244,916</u>	<u>1,281</u>		<u>556,198</u>
<i>Operating Income (Loss)</i>	(32,763)	(24,041)	105,117	39,788	88,101
Non-Operating Receipts / (Disbursements)					
Special Assessments				20,637	20,637
Miscellaneous	19,156	2,045			21,201
Debt Service:					
Principal Retirement	(2,371)			(26,611)	(28,982)
Interest and Fiscal Charges	(2,864)			(11,315)	(14,179)
<i>Change in Net Assets</i>	(18,842)	(21,996)	105,117	22,499	86,778
<i>Net Assets Beginning of Year</i>	<u>71,549</u>	<u>36,742</u>	<u>418,355</u>	<u>1,154</u>	<u>527,800</u>
<i>Net Assets End of Year</i>	<u>\$52,707</u>	<u>\$14,746</u>	<u>\$523,472</u>	<u>\$23,653</u>	<u>\$614,578</u>

See accompanying notes to the basic financial statements

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

*Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005*

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,371</u>
<i>Total Assets</i>	<u><u>\$1,371</u></u>
Net Assets	
Unrestricted	<u><u>\$1,371</u></u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included, where applicable, to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, and police services. Put-in-Bay Township provides fire protection and emergency medical services to the Village.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for 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.

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

Public Service Street Repair Fund – This fund receives vehicle tax fees to be used for repair of Village roads.

Water Capital Improvement Fund – This fund is used to account for Ohio Public Works Commission (OPWC) Issue II receipts and disbursements for projects within the Village.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Operating, Sewer Operating, and Sewer Capital Improvement Funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Capital Improvement Fund – The sewer capital improvement fund accounts for capital improvements and projects related to the Village's sewer services.

Internal Service funds are used to account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village has no internal service funds.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no pension trust funds, investment trust funds or private purpose trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the activity of the Mayor's Court. This fund pays all receipts into the Village and the State of Ohio based on court costs, fines and bonds assessed and collected.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents." The Village had no such equivalents.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2005, the Village invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$16,921.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets as of December 31, 2005.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for various specific purposes.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have not been established for encumbrances, as encumbrances are cancelled at year end and subsequently re-appropriated.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

The Village's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities and the fund statements that provide a more detailed level of financial information.

For fiscal year 2005, the Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Village, however additional note disclosure can be found in Note 5.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Street Construction Maintenance and Repair, and Public Service Street Repair funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$644,290 of the Village's bank balance of \$746,977 was exposed to custodial credit risk because those deposits were collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Village had the following investments:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Percent to Total</u>	<u>Maturity</u>
STAR Ohio	<u>620,058</u>	<u>620,058</u>	<u>100%</u>	Approximately 1 month.

STAR Ohio carries a rating of AAAm by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

NOTE 6 – RESORT TAXES

The Village levies a resort 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 monthly.

NOTE 7 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – PROPERTY TAXES – (CONTINUED)

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was 3.30 mills. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential / Agriculture	\$10,247,070
Other	14,406,240
Public Utility	
Real	
Personal	771,620
Tangible Personal Property	<u>988,680</u>
Total Assessed Value	<u><u>\$26,413,610</u></u>

NOTE 8 – RISK MANAGEMENT

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 9 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$119,179, \$118,432, and \$126,849 respectively. The full amount has been contributed for 2005, 2004, and 2003.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003, were \$29,006, \$21,503, and \$28,890 respectively. The full amount has been contributed for 2005, 2004, and 2003.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund postemployment benefits were \$4,767. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and

employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment health care benefits were \$2,248 for police. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 – DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
1988 OWDA Water Loan (\$300,864)	8.35%	\$103,349		\$22,817	\$80,532	\$24,721
1995 OWDA State Sewer (\$286,051)	6.87%	226,968		8,667	218,301	9,262
1997 OWDA State Sewer (\$210,608)	6.12%	178,811		5,720	173,091	6,070
1999 OWDA WTP Improv. (\$556,220)	5.77%	341,213		54,887	286,326	58,099
1995 OWDA State Water (\$159,053)	6.87%	126,201		4,819	121,382	5,150
1997 OWDA State Sewer (\$56,006)	5.88%	45,480		1,877	43,603	1,988
1992 OPWC Water Loan (\$70,423)	3.00%	49,395		2,105	47,290	2,169
Total Governmental		<u>\$1,071,417</u>		<u>\$100,892</u>	<u>\$970,525</u>	<u>\$107,459</u>
<u>Business-type Activities</u>						
1983 OWDA Sewer Loan (\$465,958)	9.88%	\$161,642		\$34,891 #	\$126,751	\$38,338
2005 OWDA Water Plant (\$143,196)	4.00%		\$143,196	2,371	140,825	4,885
Total Business-type		<u>\$161,642</u>	<u>\$143,196</u>	<u>\$37,262</u>	<u>\$267,576</u>	<u>\$43,223</u>

- The General Fund paid \$8,280 for the 1983 OWDA Sewer Loan due to a lack of funds available for this debt. As a result the total debt principal paid from governmental activities actually equaled \$109,172 and the total actually paid from business-type activities equaled \$28,982.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 – DEBT – (CONTINUED)

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to a water and sewer plant and plan expansion projects the Ohio Environmental Protection Agency mandated. The Village will repay the loans in semiannual installments through the year 2025. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover debt service requirements. The Village Council has also elected to use a portion of resort tax receipts for the repayment of debt related to capital improvements

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest
2006	\$148,513	\$77,207	\$2,169	\$1,403
2007	159,442	66,278	2,235	1,337
2008	171,226	54,495	2,302	1,269
2009	101,616	41,797	2,372	1,200
2010	67,437	35,750	2,443	1,128
2011 - 2015	208,555	138,608	13,370	4,488
2016 - 2020	260,798	65,215	15,517	2,341
2021 - 2025	73,223	7,214	6,883	260
Totals	<u>\$1,190,811</u>	<u>\$486,566</u>	<u>\$47,291</u>	<u>\$13,426</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$2,783,415 (including available funds of \$9,986) and an unvoted debt margin of \$1,452,748.

NOTE 12 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Put-in-Bay, Ottawa County, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 7, 2006, wherein we noted the Village prepared its financial statements on the modified cash basis of accounting. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated November 7, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Villages management dated November 7, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 7, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 5, 2006**