



Dave Yost • Auditor of State

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 12, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Put-in-Bay, Ottawa County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Village did not provide sufficient documentation supporting the charges for services related to dock fees as recorded in the General Fund. Charges for services related to dock fees represent 12 percent of receipts recorded in the General Fund for the year ended December 31, 2011 and 16 percent of receipts recorded in the General Fund for the year ended December 31, 2010. Without this evidential matter, we were unable to obtain sufficient assurances over completeness of the General Fund charges for services nor were we able to satisfy ourselves through other auditing procedures.

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

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

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

Also, in our opinion, except for adjustments, if any, as might have been required had we been able to examine sufficient appropriate evidence regarding General Fund charges for services for dock fees as noted in the third paragraph above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Put-in-Bay, Ottawa County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 3, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

December 12, 2012

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

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$715,082				\$715,082
Intergovernmental	488,599	\$58,554		\$12,762	559,915
Special Assessments			\$18,202		18,202
Charges for Services	553,860	600			554,460
Fines, Licenses and Permits	68,425	47,588			116,013
Earnings on Investments	10,818	1,188			12,006
Miscellaneous	114,091	40,732		520	155,343
<i>Total Cash Receipts</i>	<u>1,950,875</u>	<u>148,662</u>	<u>18,202</u>	<u>13,282</u>	<u>2,131,021</u>
Cash Disbursements					
Current:					
Security of Persons and Property	575,795				575,795
Public Health Services	6,737				6,737
Leisure Time Activities	250,753	50,140			300,893
Community Environment	3,822				3,822
Transportation	51,388	11,431			62,819
General Government	269,481	2,283			271,764
Capital Outlay	15,025			1,847,787	1,862,812
Debt Service:					
Principal Retirement	161,927		8,170		170,097
Interest and Fiscal Charges	52,306		8,494		60,800
<i>Total Cash Disbursements</i>	<u>1,387,234</u>	<u>63,854</u>	<u>16,664</u>	<u>1,847,787</u>	<u>3,315,539</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>563,641</u>	<u>84,808</u>	<u>1,538</u>	<u>(1,834,505)</u>	<u>(1,184,518)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				1,482,102	1,482,102
Transfers In				11,279	11,279
Transfers Out	(11,279)				(11,279)
Advances In		11,769		320,973	332,742
Advances Out	(332,742)				(332,742)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(344,021)</u>	<u>11,769</u>		<u>1,814,354</u>	<u>1,482,102</u>
<i>Net Change in Fund Cash Balances</i>	219,620	96,577	1,538	(20,151)	297,584
<i>Fund Cash Balances, January 1</i>	<u>375,200</u>	<u>226,486</u>	<u>17,139</u>	<u>52,848</u>	<u>671,673</u>
Fund Cash Balances, December 31					
Restricted		205,055	18,677	19,276	243,008
Committed		118,008		6,622	124,630
Assigned				6,799	6,799
Unassigned	594,820				594,820
<i>Fund Cash Balances, December 31</i>	<u>\$594,820</u>	<u>\$323,063</u>	<u>\$18,677</u>	<u>\$32,697</u>	<u>\$969,257</u>

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

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

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$977,413		977,413
Operating Cash Disbursements			
Personal Services	280,460		280,460
Employee Fringe Benefits	109,724		109,724
Contractual Services	183,841		183,841
Supplies and Materials	221,506		221,506
Other	49,817		49,817
<i>Total Operating Cash Disbursements</i>	845,348		845,348
<i>Operating Income</i>	132,065		132,065
Non-Operating Receipts (Disbursements)			
Special Assessments	83,087		83,087
Miscellaneous Receipts	2,694		2,694
Capital Outlay	(4,849)		(4,849)
Principal Retirement	(39,306)		(39,306)
Interest and Other Fiscal Charges	(39,163)		(39,163)
Other Financing Sources	7,459	\$52,034	59,493
Other Financing Uses	(14,531)	(51,432)	(65,963)
<i>Total Non-Operating Receipts (Disbursements)</i>	(4,609)	602	(4,007)
<i>Income before Transfers</i>	127,456	602	128,058
Transfers In	5,000		5,000
Transfers Out	(5,000)		(5,000)
<i>Net Change in Fund Cash Balances</i>	127,456	602	128,058
<i>Fund Cash Balances, January 1</i>	944,020	1,139	945,159
<i>Fund Cash Balances, December 31</i>	<u>\$1,071,476</u>	<u>\$1,741</u>	<u>\$1,073,217</u>

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

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

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$565,300				\$565,300
Intergovernmental	147,600	\$55,958		\$188,211	391,769
Special Assessments			\$18,479		18,479
Charges for Services	576,235	700			576,935
Fines, Licenses and Permits	92,346	50,035			142,381
Earnings on Investments	5,177	1,459			6,636
Miscellaneous	170,784	35,222		15,000	221,006
<i>Total Cash Receipts</i>	<u>1,557,442</u>	<u>143,374</u>	<u>18,479</u>	<u>203,211</u>	<u>1,922,506</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	575,546				575,546
Public Health Services	6,684				6,684
Leisure Time Activities	257,016	38,095			295,111
Community Environment	1,385				1,385
Transportation	42,045	206,285			248,330
General Government	288,964	6,360	230		295,554
Debt Service:					
Redemption of Principal	175,411		7,698	500,000	683,109
Interest and Fiscal Charges	76,998		8,965		85,963
Capital Outlay	53,793			910,671	964,464
<i>Total Cash Disbursements</i>	<u>1,477,842</u>	<u>250,740</u>	<u>16,893</u>	<u>1,410,671</u>	<u>3,156,146</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>79,600</u>	<u>(107,366)</u>	<u>1,586</u>	<u>(1,207,460)</u>	<u>(1,233,640)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	34,200				34,200
Other Debt Proceeds				1,476,465	1,476,465
Transfers-In				5,000	5,000
Transfers-Out	(5,000)				(5,000)
Advances-In	10,000				10,000
Advances-Out				(560,000)	(560,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>39,200</u>			<u>921,465</u>	<u>960,665</u>
<i>Net Change in Fund Cash Balances</i>	118,800	(107,366)	1,586	(285,995)	(272,975)
<i>Fund Cash Balances, January 1, restated</i>	<u>256,400</u>	<u>333,852</u>	<u>15,553</u>	<u>338,843</u>	<u>944,648</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$375,200</u></u>	<u><u>\$226,486</u></u>	<u><u>\$17,139</u></u>	<u><u>\$52,848</u></u>	<u><u>\$671,673</u></u>

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

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

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$863,284		863,284
Operating Cash Disbursements:			
Personal Services	287,998		287,998
Employee Fringe Benefits	99,482		99,482
Contractual Services	161,848		161,848
Supplies and Materials	194,038		194,038
Other	73,666		73,666
<i>Total Operating Cash Disbursements</i>	<u>817,032</u>		<u>817,032</u>
<i>Operating Income</i>	<u>46,252</u>		<u>46,252</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	54,289		54,289
Miscellaneous Receipts	2,626		2,626
Capital Outlay	(85,189)		(85,189)
Redemption of Principal	(5,723)		(5,723)
Interest and Other Fiscal Charges	(12,715)		(12,715)
Other Non-Operating Cash Receipts	15,085	\$61,751	76,836
Other Non-Operating Cash Disbursements	(50,000)	(61,727)	(111,727)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(81,627)</u>	<u>24</u>	<u>(81,603)</u>
<i>Income (Loss) Before Advances</i>	(35,375)	24	(35,351)
Advances-In	550,000		550,000
<i>Net Change in Fund Cash Balances</i>	514,625	24	514,649
<i>Fund Cash Balances, January 1</i>	<u>429,395</u>	<u>1,115</u>	<u>430,510</u>
<i>Fund Cash Balances, December 31</i>	<u>\$944,020</u>	<u>\$1,139</u>	<u>\$945,159</u>

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Put-in-Bay, Ottawa County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, transportation, water and sewer utilities, public health services, park operations (leisure time activities), and police services (security of persons and property). Put-in-Bay Township provides fire protection and emergency medical services to the Village.

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

B. Accounting Basis

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

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

C. 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.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Street Repair Fund – This fund receives vehicle permit fees assessed by the Village for constructing, maintaining, and repairing Village streets.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Funds:

Sewer Expansion Project Fund – This fund is used to account for grant resources and loan proceeds to be used for capital improvements for the Village wastewater treatment plant expansion project.

Water Treatment Plant Expansion Phase I Fund – This fund is used to account for loan proceeds to be used for capital improvements for phase I of the Village water treatment plant expansion project.

5. 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.

6. Fiduciary Funds (Agency Funds)

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.

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 5.

F. Fund Balance

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. RESTATEMENT OF FUND BALANCE

Beginning in fiscal year 2010 the Village fund used to account for engineering costs associated with a dock project previously accounted for as a special revenue fund was reclassified as a capital projects fund as the Village deemed this classification to be a more appropriate presentation. This change in classification had the following effect on fund balance previously reported for the year ended December 31, 2009:

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

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

2. RESTATEMENT OF FUND BALANCE (Continued)

	Special Revenue	Capital Projects	Total
Fund balance December 31, 2009	\$341,724	\$330,971	\$672,695
Fund reclassification	(7,872)	7,872	
Restated fund balance January 1, 2010	<u>\$333,852</u>	<u>\$338,843</u>	<u>\$672,695</u>

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

4. EQUITY IN POOLED 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:

	2011	2010
Demand deposits	<u>\$1,577,072</u>	<u>\$1,091,685</u>
STAR Ohio	<u>465,402</u>	<u>525,147</u>
Total deposits and investments	<u>\$2,042,474</u>	<u>\$1,616,832</u>

Deposits: Deposits are insured by the Federal Depository 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.

5. BUDGETARY ACTIVITY

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,687,427	\$1,950,875	\$263,448
Special Revenue	169,576	148,662	(20,914)
Debt Service	16,093	18,202	2,109
Capital Projects	2,656,614	1,506,663	(1,149,951)
Enterprise	910,049	1,075,653	165,604
Total	<u>\$5,439,759</u>	<u>\$4,700,055</u>	<u>(\$739,704)</u>

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

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

5. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,582,110	\$1,403,076	\$179,034
Special Revenue	369,512	63,854	305,658
Debt Service	26,471	16,664	9,807
Capital Projects	2,701,590	1,847,787	853,803
Enterprise	1,849,068	950,757	898,311
Total	<u>\$6,528,751</u>	<u>\$4,282,138</u>	<u>\$2,246,613</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,351,713	\$1,591,642	\$239,929
Special Revenue	101,557	143,374	41,817
Debt Service	11,718	18,479	6,761
Capital Projects	1,180,417	1,684,676	504,259
Enterprise	863,895	935,284	71,389
Total	<u>\$3,509,300</u>	<u>\$4,373,455</u>	<u>\$864,155</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,597,738	\$1,482,842	\$114,896
Special Revenue	434,584	250,740	183,844
Debt Service	32,563	16,893	15,670
Capital Projects	5,908,843	1,410,671	4,498,172
Enterprise	1,382,996	970,659	412,337
Total	<u>\$9,356,724</u>	<u>\$4,131,805</u>	<u>\$5,224,919</u>

6. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

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

6. PROPERTY TAX (Continued)

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

7. RESORT TAX

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's General Fund monthly.

8. DEBT

Debt outstanding at December 31, 2011 was as follows:

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

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

8. DEBT (Continued)

	Principal	Interest Rate
Ohio Water Development Authority		
State Sewer Project Loan #2087	\$152,262	6.87%
State Sewer Project Loan #2088	130,619	6.12%
State Water Project Loan #3029	84,663	6.87%
State Water Project Supplement Loan #3030	29,780	5.88%
Water Plan Renovation Loan #4312	108,393	4.00%
Ground Level Storage Project Loan #4735	1,020,749	1.50%
Phase I, Phase II WWTP Imp. & Effluent Discharge Loan #5039	871,207	1.50%
WTP & Intake Improvements Design Loan #5812	67,748	2.00%
Water Intake Improvements Loan #5897	995,094	2.00%
Ohio Public Works Commission		
Water Plant Loan #CU408	33,269	3.00%
Wastewater Treatment Plant Improvements Loan #CE55H	77,330	0.00%
South Bass Island Water System Improvements Loan #CU05K	32,492	0.00%
Waste Water Treatment Plant Effluent Storm Sewer Loan #CE26L	130,750	0.00%
Waste Water Treatment Plant Improvements Loan #CE38K	266,779	0.00%
Bond Anticipation Note - Police Cruiser	17,100	4.50%
Total	\$4,018,235	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to water and sewer plant projects, plant expansions, a ground level storage tank, effluent discharge, and effluent storm sewer projects the Environmental Protection Agency ordered. The Village will repay the loans through semiannual installments through the year 2039. The loans are collateralized by water and sewer receipts. 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.

The police cruiser bond anticipation note relates to the purchase of police cruisers for the police department. The note was obtained in 2010 and will be paid semiannual installments, including interest, over three years.

The Village was the recipient of \$1,577,805 in OWDA loan principal forgiveness during 2010 and 2011. The Village is required to follow the guidelines of the loan agreements. The failure to do so could result in the Village being liable for the principal forgiven. The principal outstanding above assumes the Village will fully comply with the loan guidelines and assumes full principal forgiveness.

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

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

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

8. DEBT (Continued)

Year ending December 31:	OWDA Loans	OPWC Loans	Police Cruiser Bond Anticipation Note
2012	\$69,433	\$29,060	\$12,051
2013	69,433	29,060	5,829
2014	69,433	29,060	
2015	69,433	29,060	
2016	69,433	29,060	
2017-2021	283,714	145,302	
2022-2026	53,306	128,349	
2027-2031		90,327	
2032-2036		23,348	
2037-2039		14,009	
Total	<u>\$684,185</u>	<u>\$546,635</u>	<u>\$17,880</u>

OWDA loan 4735 for the ground level storage project, loan 5039 for phase I and phase II of the wastewater treatment plant improvements and effluent discharge project, loan 5812 for water treatment plant and intake improvement design, and loan 5897 for water intake improvements have not been completed and no amortization schedules are available at this time. Accordingly, the schedule above does not reflect future debt service payments for these loans. As of December 31, 2011 the Village had borrowed \$1,020,749, \$871,207, \$67,748, and \$995,094, respectively.

9. MANUSCRIPT DEBT

The Village Council approved the purchase of its own Water Treatment Plant Bond Anticipation Notes in 2011. The notes relate to constructing and acquiring improvements for the Village's water treatment plant. The notes carry an interest rate of 2 percent and have been accounted for using the advance method. \$315,973 was outstanding as of December 31, 2011 payable to the Village's General Fund from the Water Treatment Plant Expansion Phase II Fund.

10. RETIREMENT SYSTEMS

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

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

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

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

11. 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.

12. 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.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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.

13. COMPLIANCE

Contrary to Ohio law the Village did not allocate special assessment receipts to the proper fund. Contrary to Ohio law the Village did not limit appropriated amounts to estimated resources.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Put-in-Bay, Ottawa County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 12, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, qualified our report due to a lack of sufficient documentation for General Fund charges for services related to dock fee receipts, and in 2011 the Village adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. Except as discussed in the first sentence regarding charges for services, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001, 2011-002 and 2011-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 12, 2012.

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.

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



Dave Yost
Auditor of State

December 12, 2012

**VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance Citation / Material Weakness

Ohio Administrative Code § 117-2-01 (A) states 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 Administrative Code § 117-2-01 (D) states when designing the public office's system of internal control and the specific control activities, management should consider the following:

1. Ensure that all transactions are properly authorized in accordance with management's policies.
2. Ensure that accounting records are properly designed and maintained.
3. Ensure adequate security of records.
4. Plan for adequate segregation of duties or compensating controls.
5. Verify the existence and valuation of receipts and periodically reconcile them to the accounting records.
6. Perform analytical procedures to determine the reasonableness of financial data.

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:

- Credit card receipts could not be traced to subsequent receipt into the Village's financial records;
- Credit card tips were not handled in a consistent manner;
- Daily summaries of permits issued were not mathematically accurate and reconciled to accounting records;
- Individual dock permits did not always indicate the method of payment;
- Individuals that prepared and accounted for dock permits also handled cash and;
- The rates charged were not always in accordance with the rates approved by Village Council.

Accordingly, we were unable to obtain assurances for completeness over dock receipts, which accounted for 12% of the General Fund receipts for the year ended December 31, 2011 and 16% for the year ended December 31, 2010.

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 2011-001
(Continued)**

We recommend the Village:

- Perform a periodic reconciliation between credit card receipts per the Dock Master and credit card receipts into the Village's checking account, both in monetary terms and number of transactions;
- Develop and implement a clear, concise policy for the recording and distribution of credit card tips;
- Attach the credit card system-generated summary of activity, including daily tips to each Daily Dock Receipt form;
- Ensure the mathematical accuracy of all Daily Dock Receipt forms;
- Ensure that each permit issue contains the correct method of payment;
- Consider implementing a change fund and corresponding change fund use policy;
- Develop and implement a policy for documenting and explaining daily cash discrepancies;
- Ensure the dockhands are calculating the amount due based on rates that have been approved by Council;
- Consider involving Village personnel currently separate of the dock receipt process into the dock process. Such duties could include permit reconciliations, re-counting cash on hand, reconciling estimated to actual daily receipts, and making deposits.

Officials' Response:

The Village will work to design and implement controls over dock receipts.

FINDING NUMBER 2011-002

Noncompliance Citation / Material Weakness

Ohio Revised Code, § 5705.10(D), states in part that all revenues 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 the first half 2010 and first half 2011 special assessments in the amounts of \$6,761 and \$9,101, respectively, to the General Fund. These special assessments should have been recorded in the Special Assessments Bayview Avenue Debt Service Fund.

The accompanying financial statements and Village accounting records have been adjusted to reflect these changes.

Sound financial reporting is the responsibility of the Fiscal Officer and the Village and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

**FINDING NUMBER 2011-002
(Continued)**

To 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 statements and notes by the Fiscal Officer and the Village Council, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the Village Officers' Handbook available from the following web address for guidance on the posting of transactions: <http://www.auditor.state.oh.us/services/lgs/publications/LocalGovernmentManualsHandbooks/Village%20Officers%20Handbook%202012.pdf>

Officials' Response:

The Fiscal Officer will ensure special assessments are posted to the correct fund.

FINDING NUMBER 2011-003

Material Weakness – Recording Grant and Loan Activity

In 2010 the Village was the beneficiary of \$2,842 of Ohio Public Work Commission (OPWC) and \$501,418 of Ohio Water Development Authority (OWDA) grants and/or loan monies sent directly to the vendors by OPWC and OWDA. In 2011 the Village was the beneficiary of \$1,281,154 of OWDA grants and/or loans sent directly to the vendors by OWDA. The Fiscal Officer did not record memorandum receipt and expenditure activity for these on-behalf payments. Auditor of State Bulletins 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements in a capital project fund when the Village applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in the Capital Projects Fund Type (Sewer Expansion and WTP Expansion Phase I funds).

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

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions.

Officials' Response:

The Fiscal Officer will review OWDA and OPWC confirmations to ensure on-behalf-of activity is properly recorded in the Village's accounting records.

FINDING NUMBER 2011-004

Noncompliance Citation

Ohio Revised Code, § 5705.39, provides in part that that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

The following funds had appropriations exceeding estimated resources at December 31, 2010:

**FINDING NUMBER 2011-004
 (Continued)**

<u>Fund</u>	<u>Certified Resources</u>	<u>Appropriations</u>	<u>Excess</u>
S.A. Bay View Avenue	\$27,271	\$32,553	(\$5,282)
Sewer Expansion	1,439,841	2,430,971	(991,130)
Water Operating	609,344	659,344	(50,000)

The Special Assessment Bay View Avenue Fund had sufficient revenues so as to allow the Fiscal Officer to obtain an amended certificate to cover approved appropriations. The failure to limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

The Fiscal Officer should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

Officials' Response:

The Fiscal Officer will monitor appropriations to ensure they do not exceed certified resources.

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

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Admin. Code Sections 117-2-01(A) and 117-2-01(D) – Internal controls over General Fund dock receipts.	No	Not corrected. Repeated as finding number 2011-001 in this report.
2009-002	Recording Grant Activity – Grant activity was not recorded.	No	Not corrected. Repeated as finding number 2011-003 in this report.

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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 31, 2012