



Dave Yost • Auditor of State



VILLAGE OF BAY VIEW  
ERIE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Bay View, Erie County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Bay View, Erie County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 7, 2016

**VILLAGE OF BAY VIEW  
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$69,331	\$84,194			\$153,525
Intergovernmental	51,531	55,939			107,470
Special Assessments		7,175			7,175
Fines, Licenses and Permits	24,582				24,582
Earnings on Investments	48	15			63
Miscellaneous	11,777	3,340			15,117
<i>Total Cash Receipts</i>	<u>157,269</u>	<u>150,663</u>			<u>307,932</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	42,087	88,970			131,057
Leisure Time Activities	5,600	4,650			10,250
Basic Utility Services	1,925				1,925
Transportation	7,136	50,122			57,258
General Government	84,321	631			84,952
Capital Outlay	8,000				8,000
Debt Service:					
Principal Retirement	5,250	5,386			10,636
Interest and Fiscal Charges		791			791
<i>Total Cash Disbursements</i>	<u>154,319</u>	<u>150,550</u>			<u>304,869</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,950</u>	<u>113</u>			<u>3,063</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfer In	219				219
Transfer Out			(\$219)		(219)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>219</u>		<u>(219)</u>		
<i>Net Change in Fund Cash Balances</i>	3,169	113	(219)		3,063
<i>Fund Cash Balances, January 1</i>	<u>24,196</u>	<u>47,542</u>	<u>219</u>	<u>\$3,085</u>	<u>75,042</u>
<b>Fund Cash Balances, December 31</b>					
Assigned	27,365				27,365
Restricted		47,655		3,085	50,740
<i>Fund Cash Balances, December 31</i>	<u>\$27,365</u>	<u>\$47,655</u>		<u>\$3,085</u>	<u>\$78,105</u>

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

VILLAGE OF BAY VIEW  
ERIE COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$70,940	\$83,502			\$154,442
Intergovernmental	47,954	53,582			101,536
Special Assessments		10,903			10,903
Fines, Licenses and Permits	27,719				27,719
Earnings on Investments	66	22			88
Miscellaneous	10,909	1,370			12,279
<i>Total Cash Receipts</i>	<u>157,588</u>	<u>149,379</u>			<u>306,967</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	37,328	82,103			119,431
Leisure Time Activities	3,416	6,768			10,184
Basic Utility Services	960				960
Transportation	4,423	50,886			55,309
General Government	94,463	600		\$50,000	145,063
Capital Outlay	87				87
Debt Service:					
Principal Retirement	4,841	5,100			9,941
Interest and Fiscal Charges	222	1,000			1,222
<i>Total Cash Disbursements</i>	<u>145,740</u>	<u>146,457</u>		<u>50,000</u>	<u>342,197</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,848</u>	<u>2,922</u>		<u>(50,000)</u>	<u>(35,230)</u>
<b>Other Financing Receipts</b>					
Sale of Fixed Assets				3,085	3,085
<i>Net Change in Fund Cash Balances</i>	11,848	2,922		(46,915)	(32,145)
<i>Fund Cash Balances, January 1</i>	<u>12,348</u>	<u>44,620</u>	<u>\$219</u>	<u>50,000</u>	<u>107,187</u>
<b>Fund Cash Balances, December 31</b>					
Assigned	16,970				16,970
Restricted		47,542	219	3,085	50,846
Unassigned	7,226				7,226
<i>Fund Cash Balances, December 31</i>	<u>\$24,196</u>	<u>\$47,542</u>	<u>\$219</u>	<u>\$3,085</u>	<u>\$75,042</u>

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



**VILLAGE OF BAY VIEW  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bay View, Erie County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, park operations, street and highway services, fire and EMS services, and police protection services

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

**B. Accounting Basis**

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

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

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

**2. Special Revenue Funds**

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

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

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

Police Levy Fund – This fund receives property tax money for providing police protection services within the Village.

**VILLAGE OF BAY VIEW  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. Debt Service Funds**

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

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

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

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

**D. Budgetary Process**

The Ohio Revised Code requires each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**E. Fund Balance**

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

**1. Nonspendable**

**VILLAGE OF BAY VIEW  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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.

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS**

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

**VILLAGE OF BAY VIEW  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

	2015	2014
Demand deposits	\$68,157	\$65,100
Other time deposits (savings account)	9,948	9,942
Total deposits	\$78,105	\$75,042

Deposits are insured by the Federal Depository Insurance Corporation

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

**2015 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$150,885	\$157,488	\$6,603
Special Revenue	46,656	150,663	104,007
Total	\$197,541	\$308,151	\$110,610

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$166,835	\$155,390	\$11,445
Special Revenue	176,793	152,196	24,597
Debt Service	219	219	
Total	\$343,847	\$307,805	\$36,042

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$158,341	\$157,588	(\$753)
Special Revenue	142,039	149,379	7,340
Capital Projects		3,085	3,085
Total	\$300,380	\$310,052	\$9,672

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$165,685	\$147,238	\$18,447
Special Revenue	176,726	149,458	27,268
Capital Projects	50,000	50,000	
Total	\$392,411	\$346,696	\$45,715

**4. PROPERTY TAX**

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

**VILLAGE OF BAY VIEW  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

half is due December 31. The second half payment is due the following June 20.

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

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ambulance Promissory Note	\$11,539	4.61%
Ohio Water Development Authority Loan	13,125	0.00%
Total	\$24,664	

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

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

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

	Ambulance Promissory Note	OWDA Loan
Year ending December 31:		
2016	\$6,177	\$5,250
2017	6,177	5,250
2018	2,625	2,625
Total	\$12,354	\$13,125

**6. RETIREMENT SYSTEMS**

**A. Ohio Public Employees Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**B. Social Security**

**VILLAGE OF BAY VIEW  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

Several of the Village's employees and officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. MISCELLANEOUS RECEIPTS**

In 2015, General Fund Miscellaneous Receipts consist primarily of reimbursements from Erie County and proceeds from an insurance claim.

In 2014, General Fund Miscellaneous Receipts consist primarily of reimbursements from Erie County.

**9. COMPLIANCE**

Contrary to Ohio law, the Clerk-Treasurer posted proceeds from the sale of a rescue squad vehicle to the incorrect fund.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Bay View, Erie County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 7, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2015-001 and 2015-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-002 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 7, 2016



VILLAGE OF BAY VIEW  
ERIE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Noncompliance Citation / Material Weakness**

**Ohio Rev. Code § 5705.10(F)** provides in part that except as provided in divisions (G) and (H) of this section, if a permanent improvement of the subdivision is sold, the amount received from the sale shall be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements.

The Clerk-Treasurer incorrectly posted the proceeds from the sale of a rescue squad vehicle in the amount of \$3,085 as Miscellaneous Revenue in the General Fund. This receipt should have been classified as Sale of Capital Assets in a Capital Projects Fund.

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

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

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

<http://www.ohioauditor.gov/publications/Final%20Village%20Officers%20Handbook%202016.pdf>

FINDING NUMBER 2015-002

**Significant Deficiency - Payroll**

The following matters were noted during our test of payroll disbursements for the years ended December 31, 2015 and 2014:

- Five firemen lacked time sheets or other sufficient documentation to support the services they were compensated for. These employees were instead compensated based on annual summary level data obtained from the Fire Chief that could not be independently substantiated;
- Fire firemen were not compensated in accordance with authorized rates of pay due to incorrect standing data used by the fire chief in determining annual compensation for services performed; and
- Thirteen employees did not have tax withholding forms on file.

**FINDING NUMBER 2015-002  
(Continued)**

These matters were not identified and corrected due to the Village's lack of oversight in monitoring employee personnel files, including authorized rates of pay, and failing to require source documentation to corroborate annual payment information for firemen.

Ensuring that supporting documentation for employee pay and withholdings is obtained, reviewed, and retained is a control over the payroll process. The lack of detailed support for services rendered, accurate pay rates, and withholding authorization forms could result in improper compensation, potentially subjecting the Village to an unnecessary loss of funds.

In order to maintain adequate monitoring controls over payroll disbursements and withholdings and to reduce the possibility of loss of Village funds, we recommend the following:

- The Village require source documentation (run sheets, time cards) for all firemen in order to support their annual compensation;
- The Fire Chief should ensure authorized rates of pay are used in calculating fireman compensation; and
- The Clerk-Treasurer review personnel files to ensure withholding forms are on file for each employee.

**FINDING NUMBER 2015-003**

**Material Weakness – Financial Reporting**

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

- General Fund Principal disbursements in the amount of \$5,250 were improperly classified as General Government disbursements; and
- General Fund Unassigned fund balance in the amount of \$11,447 was reclassified to Assigned in accordance with GASB 54.

We also identified the following error requiring adjustment to the financial statements for the year ended December 31, 2014:

- General Fund Unassigned fund balance in the amount of \$1,071 was reclassified to Assigned in accordance with GASB 54.

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements, and where applicable, the Village's accounting records have been adjusted to reflect these changes. Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

**FINDING NUMBER 2015-003  
(Continued)**

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

The Clerk-Treasurer can refer to Auditor of State Audit Bulletin 2011-004 available from the following web address for guidance on properly recording fund balances under GASB 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>

Also, the Clerk-Treasurer can refer to the Village Officer's Handbook at the following web site address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/Final%20Village%20Officers%20Handbook%202016.pdf>

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

VILLAGE OF BAY VIEW  
ERIE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2015-003 in this report.	The client declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.



# Dave Yost • Auditor of State

**VILLAGE OF BAY VIEW**

**ERIE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 22, 2016**