



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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 Village of Put-in-Bay (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audits.

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 8, the Village changed the fund type classification for a debt service fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 18, 2002

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$450,481				\$450,481
Special Assessments			\$18,264		18,264
Intergovernmental Receipts	157,326	\$214,626			371,952
Charges for Services	543,396	3,900		\$107,940	655,236
Fines, Licenses, and Permits	133,307	34,810			168,117
Earnings on Investments	13,900	2,398			16,298
Miscellaneous	68,237	26,211		25,989	120,437
Total Cash Receipts	1,366,647	281,945	18,264	133,929	1,800,785
Cash Disbursements:					
Current:					
Security of Persons and Property	313,197	183,438			496,635
Public Health Services	3,594	2,244			5,838
Leisure Time Activities	297,715	7,851			305,566
Community Environment	600				600
Transportation	74,929	157			75,086
General Government	243,241	8,988			252,229
Debt Service:					
Principal Payments	81,852		4,511		86,363
Interest Payments	80,708		12,153		92,861
Financing and Other Debt-Service Related			392		392
Capital Outlay	103,886			175,407	279,293
Total Cash Disbursements	1,199,722	202,678	17,056	175,407	1,594,863
Total Receipts Over/(Under) Disbursements	166,925	79,267	1,208	(41,478)	205,922
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes				63,230	63,230
Transfers-In				305	305
Transfers-Out	(305)				(305)
Total Other Financing Receipts/(Disbursements)	(305)			63,535	63,230
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	166,620	79,267	1,208	22,057	269,152
Fund Cash Balances, January 1	210,690	92,437	3,503	207,384	514,014
Fund Cash Balances, December 31	\$377,310	\$171,704	\$4,711	\$229,441	\$783,166

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$414,992		\$414,992
Miscellaneous	312		312
Total Operating Cash Receipts	<u>415,304</u>		<u>415,304</u>
Operating Cash Disbursements:			
Personal Services	107,670		107,670
Fringe Benefits	41,882		41,882
Contractual Services	53,102		53,102
Supplies and Materials	161,086		161,086
Total Operating Cash Disbursements	<u>363,740</u>		<u>363,740</u>
Operating Income	<u>51,564</u>		<u>51,564</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$223,672	223,672
Total Non-Operating Cash Receipts		<u>223,672</u>	<u>223,672</u>
Non-Operating Cash Disbursements:			
Debt Service	50,861		50,861
Other Non-Operating Cash Disbursements		223,378	223,378
Total Non-Operating Cash Disbursements	<u>50,861</u>	<u>223,378</u>	<u>274,239</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>703</u>	<u>294</u>	<u>997</u>
Net Receipts Over Disbursements	703	294	997
Fund Cash Balances, January 1	<u>136,609</u>	<u>618</u>	<u>137,227</u>
Fund Cash Balances, December 31	<u><u>\$137,312</u></u>	<u><u>\$912</u></u>	<u><u>\$138,224</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 CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$373,612				\$373,612
Special Assessments			\$17,575		17,575
Intergovernmental Receipts	123,900	\$229,762		\$629,416	983,078
Charges for Services	555,905	7,900		7,352	571,157
Fines, Licenses, and Permits	101,296	22,735			124,031
Earnings on Investments	27,019	2,842			29,861
Miscellaneous	14,132	6,716			20,848
Total Cash Receipts	1,195,864	269,955	17,575	636,768	2,120,162
Cash Disbursements:					
Current:					
Security of Persons and Property	272,018	200,773			472,791
Public Health Services	3,483				3,483
Leisure Time Activities	272,676	4,003			276,679
Community Environment	549				549
Transportation	53,832	28,844			82,676
General Government	197,635	12,418			210,053
Debt Service:					
Principal Payments	55,344		4,250	51,010	110,604
Interest Payments	72,245		12,414		84,659
Financing and Other Debt-Service Related			344		344
Capital Outlay	214,160			1,083,167	1,297,327
Total Cash Disbursements	1,141,942	246,038	17,008	1,134,177	2,539,165
Total Receipts Over/(Under) Disbursements	53,922	23,917	567	(497,409)	(419,003)
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes				10,271	10,271
Transfers-In		28		5,955	5,983
Transfers-Out	(5,983)				(5,983)
Total Other Financing Receipts/(Disbursements)	(5,983)	28		16,226	10,271
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	47,939	23,945	567	(481,183)	(408,732)
Fund Cash Balances, January 1	162,751	68,492	2,936	688,567	922,746
Fund Cash Balances, December 31	\$210,690	\$92,437	\$3,503	\$207,384	\$514,014

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$408,304		\$408,304
Miscellaneous	177		177
Total Operating Cash Receipts	<u>408,481</u>		<u>408,481</u>
Operating Cash Disbursements:			
Personal Services	114,856		114,856
Fringe Benefits	36,412		36,412
Contractual Services	51,252		51,252
Supplies and Materials	119,280		119,280
Total Operating Cash Disbursements	<u>321,800</u>		<u>321,800</u>
Operating Income	<u>86,681</u>		<u>86,681</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	5,868		5,868
Other Non-Operating Receipts		\$147,934	147,934
Total Non-Operating Cash Receipts	<u>5,868</u>	<u>147,934</u>	<u>153,802</u>
Non-Operating Cash Disbursements:			
Debt Service	50,861		50,861
Other Non-Operating Cash Disbursements	85	149,577	149,662
Total Non-Operating Cash Disbursements	<u>50,946</u>	<u>149,577</u>	<u>200,523</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>41,603</u>	<u>(1,643)</u>	<u>39,960</u>
Net Receipts Over/(Under) Disbursements	<u>41,603</u>	<u>(1,643)</u>	<u>39,960</u>
Fund Cash Balances, January 1	<u>95,006</u>	<u>2,261</u>	<u>97,267</u>
Fund Cash Balances, December 31	<u>\$136,609</u>	<u>\$618</u>	<u>\$137,227</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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Put-in-Bay (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

C.O.P.S. Grant Fund - This fund receives federal grant monies which are used for additional police protection in and around the Village.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Special Assessment Bayview Avenue Fund – This fund receives special assessments to pay the debt accumulated.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Water Plant Improvement Fund – This fund receives OWDA (Ohio Water Development Authority) loan proceeds to fund improvements to this project.

Town Hall Capital Projects Fund - This fund received money from Air Touch (a cellular service provider) for the renovation of the Village hall.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund – This fund receives fines, costs, and bonds for cases that are heard in the Mayor's Court and disburses those amounts to the Village and State of Ohio.

E. Budgetary Process

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$643,554	\$384,460
STAR Ohio	277,836	266,781
Total deposits and investments	<u>\$921,390</u>	<u>\$651,241</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,339,251	\$1,366,647	\$27,396
Special Revenue	296,190	281,945	(14,245)
Debt Service	17,574	18,264	690
Capital Projects	173,705	197,464	23,759
Enterprise	393,002	415,304	22,302
Total	\$2,219,722	\$2,279,624	\$59,902

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,549,941	\$1,200,027	\$349,914
Special Revenue	358,627	202,678	155,949
Debt Service	21,077	17,056	4,021
Capital Projects	331,089	175,407	155,682
Enterprise	529,611	414,601	115,010
Total	\$2,790,345	\$2,009,769	\$780,576

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,296,097	\$1,195,864	(\$100,233)
Special Revenue	332,875	269,983	(62,892)
Debt Service	19,619	17,575	(2,044)
Capital Projects	972,875	652,994	(319,881)
Enterprise	371,380	414,349	42,969
Total	\$2,992,846	\$2,550,765	(\$442,081)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,448,849	\$1,147,925	\$300,924
Special Revenue	361,367	246,038	115,329
Debt Service	22,555	17,008	5,547
Capital Projects	1,661,442	1,134,177	527,265
Enterprise	466,386	372,746	93,640
Total	\$3,960,599	\$2,917,894	\$1,042,705

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Baywalk Project Grant fund by \$4,003, Put-in-Bay Arts Council fund by \$1,500, Special Projects fund by \$8,273, and Town Hall Capital Project fund by \$26,094.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Water Plant Loan	\$55,349	3.00%
Ohio Water Development Authority Sewer Loan	248,593	9.88%
Ohio Water Development Authority Water Loan	161,780	8.35%
Ohio Water Development Authority State Water Project Loan	138,877	6.87%
Ohio Water Development Authority State Sewer Project Loan	249,766	6.87%
Ohio Water Development Authority State Water Project Suppl. Loan	72,923	5.88%
Ohio Water Development Authority State Sewer Project Loan	194,067	6.12%
Federal Mortgage Home Administration Loan	60,000	5.50%
Ohio Public Works Commission Water Treatment Plant Loan	19,136	0%
Ohio Water Development Authority Water Treatment Plan Loan - 2170	491,560	5.77%
Total	<u>\$1,692,051</u>	

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

The Ohio Water Development Authority (OWDA) loans, the Federal Mortgage Home Administration (FHMA) loan, and Ohio Public Works Commission (OPWC) loans relate to water and sewer plant projects and plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The loans will be paid in semiannual installments through the year 2022.

The loan number 2170 for waste water project improvement, the OWDA has approved up to \$556,220.30 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$36,990.36, including interest, over 10 years. The scheduled payment amount below assumes that \$556,220.30 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>FMHA Loan</u>	<u>OPWC Loans</u>
2002	\$215,251	\$4,900	\$9,950
2003	215,251	4,912	9,950
2004	215,251	4,918	9,950
2005	215,251	4,820	3,572
2006	215,251	4,921	3,572
2007 - 2011	718,363	24,442	17,858
2012 - 2016	294,817	24,395	17,858
2017 - 2021	231,367	24,453	17,858
2022	16,663	4,853	3,572
Total	<u>\$2,337,465</u>	<u>\$102,614</u>	<u>\$94,140</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial Property;
- General Liability;
- Commercial Crime;
- Inland Marine;
- Law Enforcement Liability;
- Harbor Patrol Vessel;
- Marina Operators;
- Umbrella;
- Business Automobile;
- Boiler and Machinery; and
- Public Officials' Liability

The Village also provides health insurance to full-time employees through a private carrier.

8. FUND RECLASSIFICATION

As of January 1, 2000, the Village changed the fund type classification for a debt service bond retirement fund. The Village previously had a debt service fund account for funds received from user charges to repay a sewer project OWDA loan that they feel is more appropriately classified as an enterprise type fund since debt repayment is through user charges.

These changes required the adjustments be made to the December 31, 1999, fund cash balances as previously reported to reflect the prior year's effect of adopting this change.

Fund Changed: (From)/To	Debt Service	Enterprise
Sewer Project OWDA Loan - 3902 Bond Retirement Fund	(\$12,662)	\$12,662
Previously Stated Balances, December 31, 1999	15,598	82,344
Restated Balances, January 1, 2000	\$2,936	\$95,006

9. PENDING LITIGATION

There is pending litigation involving a Civil Rights Case under 28 U.C.S. §1343, for wrongful termination, specifically a breach of an implied contract between the Village of Put-in-Bay and its officers, vis-a-vis the employment manual, for defamation, alleged comments and publications set forth by the Mayor of the Village, and for a violation of Civil Rights in that the Plaintiff had a vested right to employment under the Constitution which was violated. At this time the extent of liability (if any) is unknown. Insurance coverage may only cover part of the potential loss.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. UNASSERTED CLAIMS AND ASSESSMENTS

The Village recently learned that the 2000 Census reflected that only 57% of the Village housing units were seasonal. Ohio Revised Code required that at least 62% be seasonal in order to qualify for the resort tax which the Village is currently receiving. The Village disagrees with the 2000 Census and is taking steps to appeal the results through the Court Question Resolution program. The potential loss could be the loss of those funds in the future and the return of collected funds.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of the Village of Put-in-Bay (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2002, in which we noted that the Village changed the fund type classification for a debt service bond retirement fund. We conducted our audits 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30162-001 and 2001-30162-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 18, 2002.

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 18, 2002

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30162-001

Noncompliance Citation

Ohio Revised Code §5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

We noted in 57% of the transactions tested that certification was not made prior to the expenditure being incurred and the above exceptions were not used. The failure to certify the availability of funds prior to expenditure may result in funds being expended in excess of amounts available resulting in deficit fund balances. We also reported this matter in the Management Letter of our audit of the 1999 and 1998 financial statements.

FINDING NUMBER 2001-30162-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. It was noted that 2001 expenditures exceeded appropriations in the following funds: Put-in-Bay Arts Council, Special Projects, and Town Hall Capital Projects Funds, and the Baywalk Project Grant Fund for 2000. We also reported this matter in the Management Letter of our audit of the 1999 and 1998 financial statements.

<u>Year</u>	<u>Fund</u>	<u>Amount in Excess of Appropriations</u>
FY 2000	Baywalk Project Grant	\$4,003
FY 2001	Put-in-Bay Arts Council	\$1,500
FY 2001	Special Projects	\$8,273
FY 2001	Town Hall Capital Projects	\$26,094



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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
JULY 16, 2002**