



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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Mary Taylor, CPA
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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 6, 2008

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Mary Taylor, CPA

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, (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

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

As 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, 2007 and 2006, 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, 2007 and 2006 or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Put-in-Bay, Ottawa County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2006, the Village changed its financial statement presentation to conform to presentation methods the Auditor of State prescribes or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2008, 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.



Mary Taylor, CPA
Auditor of State

October 6, 2008

**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, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$428,827				\$428,827
Intergovernmental	129,890	\$64,783		\$804,475	999,148
Special Assessments			\$19,559		19,559
Charges for Services	566,912	1,200			568,112
Fines, Licenses and Permits	63,361	34,282			97,643
Earnings on Investments	29,551	6,550			36,101
Miscellaneous	45,975	2,122			48,097
Total Cash Receipts	1,264,516	108,937	19,559	804,475	2,197,487
Cash Disbursements:					
Current:					
Security of Persons and Property	509,285	539			509,824
Public Health Services	5,178	3,600			8,778
Leisure Time Activities	331,725	7,182			338,907
Community Environment	1,086				1,086
Basic Utility Service					
Transportation	55,066	58,591			113,657
General Government	208,130	676	451		209,257
Debt Service:					
Redemption of Principal	140,911		6,642	429,554	577,107
Interest and Fiscal Charges	56,161		10,022	10,531	76,714
Capital Outlay	55,072			1,709,857	1,764,929
Total Cash Disbursements	1,362,614	70,588	17,115	2,149,942	3,600,259
Total Cash Receipts Over/(Under) Cash Disbursements	(98,098)	38,349	2,444	(1,345,467)	(1,402,772)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	625,000				625,000
Other Debt Proceeds				1,418,033	1,418,033
Advances-In				13,307	13,307
Advances-Out	(13,307)				(13,307)
Total Other Financing Receipts / (Disbursements)	611,693			1,431,340	2,043,033
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	513,595	38,349	2,444	85,873	640,261
Fund Cash Balances, January 1	469,604	397,362	10,661		877,627
Fund Cash Balances, December 31	\$983,199	\$435,711	\$13,105	\$85,873	\$1,517,888

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$696,306		\$696,306
Operating Cash Disbursements:			
Personal Services	189,272		189,272
Employee Fringe Benefits	72,340		72,340
Contractual Services	64,453		64,453
Supplies and Materials	270,532		270,532
Other	12,529		12,529
Total Operating Cash Disbursements	609,126		609,126
Operating Income	87,180		87,180
Non-Operating Cash Receipts:			
Special Assessments	13,721		13,721
Miscellaneous Receipts	17,502		17,502
Other Non-Operating Cash Receipts		\$58,256	58,256
Total Non-Operating Cash Receipts	31,223	58,256	89,479
Non-Operating Cash Disbursements:			
Capital Outlay	34,410		34,410
Redemption of Principal	47,207		47,207
Interest and Other Fiscal Charges	5,963		5,963
Other Non-Operating Cash Disbursements		55,247	55,247
Total Non-Operating Cash Disbursements	87,580	55,247	142,827
Net Cash Receipts Over Cash Disbursements	30,823	3,009	33,832
Fund Cash Balances, January 1	550,053	2,253	552,306
Fund Cash Balances, December 31	\$580,876	\$5,262	\$586,138

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, 2006**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$589,889				\$589,889
Intergovernmental	172,133	\$63,154			235,287
Special Assessments			\$17,720		17,720
Charges for Services	577,436	700			578,136
Fines, Licenses and Permits	78,163	34,600			112,763
Earnings on Investments	27,052	5,837			32,889
Miscellaneous	13,444	18,595			32,039
Total Cash Receipts	1,458,117	122,886	17,720		1,598,723
Cash Disbursements:					
Current:					
Security of Persons and Property	505,023	1,487			506,510
Public Health Services	4,579				4,579
Leisure Time Activities	309,362	15,299			324,661
Community Environment	1,200				1,200
Transportation	58,162	16,000			74,162
General Government	276,163	3,892	382		280,437
Debt Service:					
Redemption of Principal	101,353		6,071		107,424
Interest and Fiscal Charges	52,749		10,592		63,341
Capital Outlay	63,642			\$11,211	74,853
Total Cash Disbursements	1,372,233	36,678	17,045	11,211	1,437,167
Total Cash Receipts Over/(Under) Cash Disbursements	85,884	86,208	675	(11,211)	161,556
Other Financing Receipts / (Disbursements):					
Other Financing Sources	5,236				5,236
Other Financing Uses	(5,236)				(5,236)
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	85,884	86,208	675	(11,211)	161,556
Fund Cash Balances, January 1	383,720	311,154	9,986	11,211	716,071
Fund Cash Balances, December 31	\$469,604	\$397,362	\$10,661		\$877,627

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$611,723		\$611,723
Operating Cash Disbursements:			
Personal Services	164,240		164,240
Employee Fringe Benefits	68,325		68,325
Contractual Services	55,837		55,837
Supplies and Materials	302,455		302,455
Other	20,637		20,637
Total Operating Cash Disbursements	611,494		611,494
Operating Income	229		229
Non-Operating Cash Receipts:			
Intergovernmental	54,652		54,652
Special Assessments	10,586		10,586
Miscellaneous Receipts	4,923		4,923
Other Non-Operating Cash Receipts		\$77,361	77,361
Total Non-Operating Cash Receipts	70,161	77,361	147,522
Non-Operating Cash Disbursements:			
Capital Outlay	81,259		81,259
Redemption of Principal	43,223		43,223
Interest and Other Fiscal Charges	10,434		10,434
Other Non-Operating Cash Disbursements		76,479	76,479
Total Non-Operating Cash Disbursements	134,916	76,479	211,395
Net Cash Receipts Over/(Under) Cash Disbursements	(64,526)	882	(63,644)
Fund Cash Balances, January 1	614,579	1,371	615,950
Fund Cash Balances, December 31	\$550,053	\$2,253	\$552,306

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, 2007 AND 2006**

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, (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, leisure time activities (park operations), public health services, and security of persons and property (police services). 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. Cash and Investments

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

The investment in STAR Ohio 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 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 from 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, 2007 AND 2006
(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 permits fees assessed by the Village on all businesses who have taxi cabs, mopeds, bicycles, trolleys, and golf carts for rental to the general public.

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 Fund:

Water Ground Level Storage Project Fund – This fund is used to account for resources to be used for capital improvements for the Village ground level storage tank 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 Fund - This fund receives charges for services from residents to cover water service costs.

Sewer 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 has the following agency fund:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Mayor's Court Fund – This agency fund receives fines, costs, and bonds for cases that are heard in the Mayor's Court. The monies are disbursed to the State of Ohio and the Village.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 individual 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 2007 and 2006 budgetary activity appears in Note 4.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. CHANGES IN FINANCIAL STATEMENT PRESENTATION

In 2005, the Village reported financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. For 2006, the Village; reported on a regulatory basis. The Village no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with nonmajor funds aggregated and presented in a single column.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$1,419,408	\$778,932
STAR Ohio	684,618	651,001
Total deposits and investments	\$2,104,026	\$1,429,933

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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,322,098	\$1,889,516	\$567,418
Special Revenue	115,625	108,937	(6,688)
Debt Service	17,500	19,559	2,059
Capital Projects	3,100,000	2,222,508	(877,492)
Enterprise	783,000	727,529	(55,471)
Total	\$5,338,223	\$4,968,049	(\$370,174)

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,792,446	\$1,362,614	\$429,832
Special Revenue	512,244	70,588	441,656
Debt Service	28,161	17,115	11,046
Capital Projects	3,100,000	2,149,942	950,058
Enterprise	1,333,054	696,706	636,348
Total	<u>\$6,765,905</u>	<u>\$4,296,965</u>	<u>\$2,468,940</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,309,950	\$1,463,353	\$153,403
Special Revenue	121,000	122,886	1,886
Debt Service	18,000	17,720	(280)
Enterprise	779,701	681,884	(97,817)
Total	<u>\$2,228,651</u>	<u>\$2,285,843</u>	<u>\$57,192</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,693,670	\$1,377,469	\$316,201
Special Revenue	432,154	36,678	395,476
Debt Service	27,986	17,045	10,941
Capital Projects	11,211	11,211	
Enterprise	1,391,389	746,410	644,979
Total	<u>\$3,556,410</u>	<u>\$2,188,813</u>	<u>\$1,367,597</u>

Contrary to Ohio law, the Village recorded several receipts sources into incorrect funds for the years ended December 31, 2007 and 2006.

5. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. PROPERTY TAX – (CONTINUED)

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.

6. 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 monthly.

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority		
Sewer Loan - 1394	\$46,288	9.88%
Water Loan - 1838	29,025	8.35%
State Sewer Project Loan - 2087	199,140	6.87%
State Sewer Project Loan - 2088	160,578	6.12%
Water Treatment Plant Loan - 2170	168,974	5.77%
State Water Project Loan - 3029	110,728	6.87%
State Water Project Supplement Loan - 3030	39,511	5.88%
Water Plant Renovation Loan - 4312	130,858	4.00%
Water Level Storage Project Loan - 4735	956,862	1.50%
Ohio Public Works Commission		
Water Plant Loan - CU408	42,887	3.00%
Waterwaste Treatment Plant Improvements Loan - CU55H	98,663	0.00%
Bond Anticipation Notes - Water System	625,000	3.85%
Total	<u><u>\$2,608,514</u></u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Work Commission (OPWC) loans relates to a water and sewer plant, plant expansion, and a ground level storage tank projects the Ohio Environmental Protection Agency mandated. The Village will repay the loans in semiannual installments through the year 2026. The loans are collateralized by water and sewer receipts. The Village Council has also elected to use a portion of resort tax receipts for the repayment of debt related to capital improvements.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT – (CONTINUED)

OWDA Loan 4735 for the ground level storage project has not been completed and no amortization schedule is available at this time. As of December 31, 2007, the Village had borrowed \$956,862.

Bond anticipation notes related to a water system improvement project. These notes were issued to cover excess costs not covered by other financing sources.

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

Year ending December 31:	OWDA Loans	OPWC Loans	General Obligation Notes
2008	\$225,290	\$8,905	\$643,045
2009	142,983	8,905	
2010	106,208	8,905	
2011	69,433	8,905	
2012	69,433	8,905	
2013 – 2017	347,165	44,525	
2018 – 2022	241,410	44,525	
2023 – 2026	26,173	18,666	
Total	<u>\$1,228,095</u>	<u>\$152,241</u>	<u>\$643,045</u>

8. 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 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. CONTINGENT LIABILITIES

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.

11. CONTRACT COMPLIANCE

The Village entered into a paving contract during 2007 without using competitive bidding procedures, contrary to Ohio law.



Mary Taylor, CPA

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, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 6, 2008, wherein we noted the Village began preparing its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We considered the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated October 6, 2008.

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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We also noted certain noncompliance matters not required to be included in this report that we reported to the Village's management in a separate letter dated October 6, 2008.

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 the audit committee, management, and Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 6, 2008

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 for Villages may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This exception does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance by the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for forty-two percent of expenditures we tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. The Village Council has, to date, not established the maximum blanket certificate amount by formal resolution or ordinance.

**FINDING NUMBER 2007-001
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used, with appropriate legislative approval following within thirty days.

Client Response:

As Fiscal Officer, we are ensuring that all purchases will be properly certified for the availability of funds prior to entering into a contract or order involving the expenditure of money.

FINDING NUMBER 2007-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10 (D) states 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.

During the audit period, the Fiscal Officer posted debt proceeds, Ottawa County matching funds for a joint project, motor vehicle license fees, and water and sewer receipts to the wrong funds. The following table shows the amounts in error and the amounts we adjusted to the correct funds:

Fund Type/Fund	2007 Amount Adjusted	2006 Amount Adjusted
General Fund	(\$35,252)	(\$744)
Special Revenue Fund Type:		
Street Construction Fund		564
State Highway Fund		180
Capital Project Fund Type:		
Water GLSP Fund	51,817	
Enterprise Fund Type:		
Water Operating Fund	(16,565)	
Water CC Recoup Fund	(622)	
Sewer Operating Fund	724	
Sewer Impact Fund	(216)	
Sewer CC Recoup Fund	114	

These adjustments have been posted to the Village's financial statements and accounting records.

**FINDING NUMBER 2007-002
(Continued)**

Sound financial reporting is the responsibility of the Fiscal Officer and 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 Fiscal Officer and Council, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the UAN accounting manual available from the following web address for guidance on the posting of transactions: http://aunlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf.

Client Response:

As Fiscal Officer, we are ensuring that the proper funds will be correctly allocated with the proper revenues received.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code § 731.141 states that the village administrator shall make contracts, purchase supplies and materials, and provide labor for any work under the administrator's supervision involving not more than twenty-five thousand dollars. When an expenditure, other than the compensation of persons employed by the village, exceeds twenty-five thousand dollars, the expenditure shall first be authorized and directed by ordinance of the legislative authority of the village, unless the members of council, by two-thirds vote, determine said expenditure is an emergency, the village administrator shall make a written contract with the lowest and best bidder after advertisement for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the village. The bids shall be opened and shall be publicly read by the village administrator or a person designated by the village administrator at the time, date, and place as specified in the advertisement to bidders or specifications. The time, date, and place of bid openings may be extended to a later date by the village administrator, provided that written or oral notice of the change shall be given to all persons who have received or requested specifications no later than ninety-six hours prior to the original time and date fixed for the opening. All contracts shall be executed in the name of the village and signed on its behalf by the village administrator and the clerk.

The Village paid for paving work in the amount of \$48,780 without advertising for bids for the project.

Management was advised the failure to competitively bid contracts as required by statute could result in the Village not obtaining the best price possible and subjecting the Village to potential litigation from vendors who were not given the opportunity to submit bids to the Village.

We recommend the Village advertise for competitive bids for all contracts in excess of the threshold established by Ohio law.

**FINDING NUMBER 2007-003
(Continued)**

Client Response:

As Fiscal Officer, we are ensuring that the Village of Put-in-Bay will correctly obtain competitive bids for projects performed within the Village.

FINDING NUMBER 2007-004

Debt Activity – Material Weakness

The Fiscal Officer did not record the debt payoff of a previous OWDA loan from the proceeds of a new OWDA loan obtained in 2007. The receipts and disbursements in the Water Ground Level Storage Fund were understated by \$440,085.

This error resulted in several audit adjustments and inaccurate receipts, disbursements and monthly cash fund balances submitted to Council.

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 Council, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the UAN accounting manual available from the following web address for guidance on the posting of transactions:
http://aunlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf.

Client Response:

As Fiscal Officer, we are ensuring that debt proceeds and debt payments will be properly applied to the correct funds.



Mary Taylor, CPA
Auditor of State

VILLAGE OF PUT-IN-BAY

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 6, 2008