



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE KEITH FABER



January 15, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

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VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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 Put-in-Bay, Ottawa County, Ohio (the Village) as of and for the year ended December 31, 2017.

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 such 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 2 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 opinions on this accounting basis is in the *Additional Opinion Qualification* and *Unmodified Opinions* paragraphs 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, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

Basis for Additional Opinion Qualification

Dockage charges for services receipts are reported at \$461,992 for the year ended December 31, 2017 which are twenty-two percent of General Fund receipts for the year ended December 31, 2017. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as dockage charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements as it relates to the General Fund referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Put-in-Bay, Ottawa County, Ohio as of December 31, 2017, for the year 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 2.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Special Revenue, Debt Service, Capital Projects, Enterprise, and Agency Funds, of the Village of Put-in-Bay, Ottawa County, Ohio as of December 31, 2017, for the year 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2019, 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.

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Dave Yost
Auditor of State

Columbus, Ohio

January 2, 2019

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Village of Put-in-Bay
Ottawa County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,006,646				\$1,006,646
Intergovernmental	62,223	\$52,143			114,366
Special Assessments			\$8,288		8,288
Charges for Services	748,561			\$11,656	760,217
Fines, Licenses and Permits	131,021	39,530			170,551
Earnings on Investments	16,244	1,301			17,545
Miscellaneous	103,001	11,347		5,000	119,348
<i>Total Cash Receipts</i>	<u>2,067,696</u>	<u>104,321</u>	<u>8,288</u>	<u>16,656</u>	<u>2,196,961</u>
Cash Disbursements					
Current:					
Security of Persons and Property	750,395				750,395
Leisure Time Activities	283,892	461			284,353
Community Environment	10,623				10,623
Transportation	51,317	180,310			231,627
General Government	393,446	2,012			395,458
Capital Outlay	39,568				39,568
Debt Service:					
Principal Retirement	321,302		11,668		332,970
Interest and Fiscal Charges	227,488		3,265		230,753
<i>Total Cash Disbursements</i>	<u>2,078,031</u>	<u>182,783</u>	<u>14,933</u>		<u>2,275,747</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,335)</u>	<u>(78,462)</u>	<u>(6,645)</u>	<u>16,656</u>	<u>(78,786)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				1,300,000	1,300,000
Payment of Principal				(1,300,000)	(1,300,000)
<i>Total Other Financing Receipts</i>					
<i>Net Change in Fund Cash Balances</i>	<u>(10,335)</u>	<u>(78,462)</u>	<u>(6,645)</u>	<u>16,656</u>	<u>(78,786)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,574,402</u>	<u>382,045</u>	<u>29,500</u>	<u>74,742</u>	<u>2,060,689</u>
Fund Cash Balances, December 31					
Restricted		273,728	22,855	88,398	384,981
Committed		29,855		3,000	32,855
Assigned	341,826				341,826
Unassigned	1,222,241				1,222,241
<i>Fund Cash Balances, December 31</i>	<u>\$1,564,067</u>	<u>\$303,583</u>	<u>\$22,855</u>	<u>\$91,398</u>	<u>\$1,981,903</u>

See accompanying notes to the basic financial statements

Village of Put-in-Bay
Ottawa County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,312,486		\$1,312,486
Fines, Licenses and Permits		\$121,208	121,208
<i>Total Operating Cash Receipts</i>	<u>1,312,486</u>	<u>121,208</u>	<u>1,433,694</u>
Operating Cash Disbursements			
Personal Services	459,617		459,617
Employee Fringe Benefits	88,847		88,847
Contractual Services	159,180		159,180
Supplies and Materials	360,387		360,387
Other	17,674	122,908	140,582
<i>Total Operating Cash Disbursements</i>	<u>1,085,705</u>	<u>122,908</u>	<u>1,208,613</u>
<i>Operating Income (Loss)</i>	<u>226,781</u>	<u>(1,700)</u>	<u>225,081</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	56,446		56,446
Miscellaneous Receipts	4,772		4,772
Capital Outlay	(10,639)		(10,639)
Principal Retirement	(69,768)		(69,768)
Interest and Other Fiscal Charges	(56,570)		(56,570)
Other Financing Sources	7,509		7,509
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(68,250)</u>		<u>(68,250)</u>
<i>Net Change in Fund Cash Balances</i>	158,531	(1,700)	156,831
<i>Fund Cash Balances, January 1</i>	<u>1,199,320</u>	<u>976</u>	<u>1,200,296</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,357,851</u></u>	<u><u>(\$724)</u></u>	<u><u>\$1,357,127</u></u>

See accompanying notes to the basic financial statements

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Put-in-Bay (the Village), Ottawa County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, transportation, water and sewer utilities, public health services, park operations, and police services. The Village contracts with Put-in-Bay Township to receive fire protection and emergency medical services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Public Service Street Repair Fund The public service street repair fund accounts for and reports vehicle license fees restricted for repairing streets, avenues, alleys, and lanes within the Village.

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

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

Miscellaneous Capital Projects Fund This fund is used to account for the bond anticipation note proceeds to be used for the purchase of real estate.

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.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. The Village does not have a private purpose trust fund.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activity of the Mayor's Court.

Basis of Accounting

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 Board 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.

Budgetary Process

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

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village's Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

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

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.

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.

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*

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,853,660	\$2,067,696	\$214,036
Special Revenue	84,437	104,321	19,884
Debt Service	12,970	8,288	(4,682)
Capital Projects	5,000	1,316,656	1,311,656
Enterprise	1,132,194	1,381,213	249,019
Total	<u>\$3,088,261</u>	<u>\$4,878,174</u>	<u>\$1,789,913</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,025,047	\$2,088,351	(\$63,304)
Special Revenue	346,161	182,785	163,376
Debt Service	18,306	14,933	3,373
Capital Projects	66,993	1,300,000	(1,233,007)
Enterprise	1,388,893	1,229,777	159,116
Total	<u>\$3,845,400</u>	<u>\$4,815,846</u>	<u>(\$970,446)</u>

Note 4 – Deposits and Investments

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

	2017
Demand deposits	<u>\$2,864,721</u>
STAR Ohio	474,309
Total deposits and investments	<u><u>\$3,339,030</u></u>

Deposits

Deposits are insured by the Federal Deposit 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.

Note 5 – Taxes

Property Taxes

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

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

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

Resort Tax

The Village levies a resort income tax of 1.5 percent on income arising from business activities conducted within the Village. Businesses submit the tax to the Ohio Department of Taxation. The Ohio Department of Taxation remits the tax to the Village's General Fund monthly.

Note 6 - 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 operations and marine patrol.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority		
State Sewer Project Loan #2087	\$53,877	6.87%
State Sewer Project Loan #2088	69,962	6.12%
State Sewer Project Loan #3029	29,958	6.87%
State Water Project Supplement Loan #3030	10,303	5.88%
Water Plan Renovation Loan #4312	67,260	4.00%
Ground Level Storage Project Loan #4735	825,916	1.50%
Phase 1, Phase II WWTP Imp. Effluent Discharge Loan #5039	773,352	1.50%
Water Intake Improvement Loan #5897	829,699	2.00%
WTP & Intake Phase II Loan #6122	793,522	2.00%
Ohio Public Works Commission		
Water Plant Loan #CU408	13,384	3.00%
Wastewater Treatment Plant Improvements Loan #CE55H	45,332	0.00%
South Bass Island Water System Improvements Loan #CU05K	21,662	0.00%
Waste Water Treatment Plant Effluent Storm Sewer Loan #CE26L	102,732	0.00%
Waste Water Treatment Plant Improvement Loan #CE38K	184,693	0.00%
Water Treatment Raw Water Intake Replacement Loan #CE46O	265,417	0.00%
Municipal Dock Improvement Project Bonds, Series 2014	3,761,377	1.5-4%
Bond Anticipation Note	1,300,000	2.00%
Total	<u>\$9,148,446</u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to various water and sewer projects. The Village will repay the loans in semiannual installments through the year 2042. Water and sewer receipts collateralize the loan. The Village Council has also elected to use a portion of the General Fund's resort tax receipts for the repayment of debt related to capital improvements.

Municipal Dock Improvement Project Bonds, Series 2014 were issued in 2014. The proceeds of the bonds were used to provide new money for dock improvements and redeem notes originally issued to finance the construction and improvements for the municipal dock. Revenues derived from the operation of the municipal dock are pledged for the repayment of the bonds. The Village will repay the bonds in semiannual installments through the year 2036.

A Bond Anticipation Note was issued in 2017. The proceeds of this note were used to acquire real estate in the Village. The Village will repay the note in one payment in 2018.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Amortization

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

Year Ending December 31:	OWDA Loans	OPWC Loans	Municipal Dock Improvement Project Bonds	Bond Anticipation Note
2018	\$285,197	\$39,899	\$230,775	\$1,325,928
2019	286,452	39,899	229,425	
2020	266,660	39,899	232,625	
2021	246,333	39,898	230,725	
2022	246,647	36,322	227,875	
2023-2027	1,125,409	173,611	1,150,875	
2028-2032	996,477	129,008	1,153,375	
2033-2037	427,543	93,018	1,155,988	
2038-2042	82,803	42,586	1,147,063	
2043-2047			461,200	
Total	<u>\$3,963,521</u>	<u>\$634,140</u>	<u>\$6,219,926</u>	<u>\$1,325,928</u>

Note 10 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes, that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 11 – Compliance

Contrary to Ohio law, the Village did not allocate receipts to the proper funds, the Village’s collection of dock receipts for the General Fund were not in place and operating effectively, the Village expended more than appropriated in the General and Capital Project Funds, and the Village did not post disbursements to the proper funds.

Also, contrary to Village codified ordinances, the Village did not properly assess penalties and interest on Utility accounts.

Note 12 – Subsequent Event

In December of 2018, the Village rolled over a bond anticipation note with US Bank for the purchase of property in the amount of \$1,300,000.



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 Put-in-Bay
Ottawa County
435 Catawba Avenue
P.O. Box 245
Put-in-Bay, Ohio 43456-0245

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 Put-in-Bay, Ottawa County, Ohio, (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated January 2, 2019, 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. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as General Fund charges for services receipts.

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 2017-001, 2017-003, and 2017-004 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 2017-002 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001, 2017-002, 2017-004, and 2017-005.

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 2, 2019

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING NUMBER 2017-001

Noncompliance and Material Weakness

Ohio Admin. Code 117-2-01(A) provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

Ohio Admin. Code 117-2-02 (B)(1)(b) provides that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

(1) Assertions about classes of transactions and events for the period under audit:

(b) Completeness: All transactions and events that should have been recorded have been recorded.

Ohio Admin. Code 117-2-01(D) provides that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed and maintained.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

Internal controls over the Village's collection of dock receipts for the General Fund were not in place and operating effectively.

The following matters were noted during procedures performed:

- Individual dock permits did not always indicate the method of payment;
- Individual dock permits did not always indicate the length of the boat;
- The rates charged were not always in accordance with the rates approved by Village Council; and
- The Fiscal Officer was involved in preparing deposits and posting receipt information to the accounting system with no compensating controls in place, resulting in a lack of adequate segregation of duties.

Accordingly, we were unable to obtain assurances for completeness over dock receipts, which accounted for twenty-two percent of the General Fund receipts for the year ended December 31, 2017.

Lack of controls and poor recordkeeping increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Therefore, having no reliable source documentation to substantiate daily receipts prohibits the assurance of completeness.

**FINDING NUMBER 2017-001
(Continued)**

The Village should:

- Ensure that each permit issue contains the correct method of payment;
- Ensure that each payment issued is complete, including general description (jet ski, boat), vessel length, and how long the vessel is docked;
- Ensure the dock hands are calculating the amount due based on rates that have been approved by Council; and
- Consider involving personnel separate of the dock receipt process (dock hands) and Fiscal Officer to prepare deposits. Such personnel could include the Village Administrator, dock master, or other appropriate individuals.

FINDING NUMBER 2017-002

Noncompliance and Significant Deficiency

Codified Ordinances of Put-in-Bay Chapter 1042.12(a) provides that the Village shall assess a delinquent rate of 10% of the total monthly water utility bill for those bills paid after the due date. In addition, the Village shall assess a delinquent rate of 2% per month of the total monthly water utility bill for those bills outstanding 30 days beyond the due date, until such bill is paid.

The Rules and Regulations of the Village of Put-in-Bay Utility Department Section 100.32(a) establishes the 20th of each month as the billing due date.

Twenty-six percent of transactions examined for year ended December 31, 2017 did not have interest and penalties assessed for utility billings that were paid after the due date established above.

These matters were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over utility billing monitoring and delinquent rate assessments.

The lack of controls over assessing interest and penalties resulted in the Village not collecting additional revenue. The Village should design and implement policies and procedures to help assure that interest delinquent rates are assessed in accordance with the provisions above.

FINDING NUMBER 2017-003

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- General Fund assigned fund balance in the amount of \$341,826 has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);

FINDING NUMBER 2017-003
(Continued)

- General Fund principal payments in the amount of \$272,294 were incorrectly classified as capital outlay of \$25,928, interest of \$246,366 in the General Fund;
- Budgeted estimated receipts, budget appropriations, and actual disbursements in the budgetary note to the financial statements did not agree to amounts approved by \$1,631,312, \$52,077 and \$59,328, respectively, in the General Fund;
- Budgeted estimated receipts, budgeted appropriations and actual receipts in the budgetary note to the financial statements did not agree to amounts approved by \$300,014, \$51,967, and \$189,873, respectively, in the Special Revenue Fund Type;
- Budgeted estimated receipts, budgeted appropriations, actual receipts, and actual disbursements in the budgetary note to the financial statements did not agree to amounts approved by \$465,393, \$335,936, \$345,954 and \$115,625, respectively, in the Debt Service Funds;
- Debt Service fund type principal and interest payments in the amount of \$7,467 were incorrectly classified as general government;
- Budgeted estimated receipts, budgeted appropriations, and actual receipts in the budgetary note to the financial statements did not agree to amounts approved by \$68,030, \$11,694, and \$50,375, respectively, in the Capital Projects Funds;
- Enterprise Fund Type principal payments in the amount of \$69,768 were incorrectly classified as capital outlay;
- Budgeted estimated receipts, budgeted appropriations, actual receipts, and actual disbursements in the budgetary note to the financial statements did not agree to amounts approved by \$735,601, \$135,319, \$127,639 and \$73,714, respectively, in the Enterprise Funds;
- The Village rolled over a Bond Anticipation Note in the amount of \$1,300,000 and did not report the proceeds or the expense to pay off 2016 note; and
- The Village's annual report submitted for audit omitted mayor's court Agency Fund activity. The financial statements have been adjusted to include mayor's court Agency Fund opening fund balance of \$976, actual receipts of \$121,208, actual disbursements of \$122,908, and ending fund balance of \$724.

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, notes to the financial statements, and, where applicable, the Village's accounting records have been adjusted to reflect these changes. Additional insignificant errors were also noted for the year ended December 31, 2017.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate and to help identify and correct errors and omissions, the Village should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Village Council. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 for information on Governmental Accounting Standards Board Statement No. 54.

FINDING NUMBER 2017-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides that all revenue 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 and **Ohio Rev. Code § 5705.10(I)** provides that money paid into any fund shall be used only for the purposes for which such fund is established.

- The Village inappropriately recorded \$8,288 of special assessment revenue in the General Fund. Given the source of the revenue, this should have been recorded in the Debt Service Fund;
- The Village inappropriately recorded \$7,466 of principal and interest payments in the Enterprise Fund type. Given the source of this debt, this should have been recorded in the Debt Service fund type.

Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements. Additional insignificant errors were also noted for the year ended December 31, 2017.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2017-005

Noncompliance

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit shall make and expenditure of money unless it has been appropriated.

Budgetary expenditures exceeded appropriations in the General and Capital Projects Funds by \$63,304 and \$1,233,007, respectively, for the year ended December 31, 2017.

This noncompliance was due to inadequate policies and procedures over the monitoring of budgetary compliance. Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and result in deficit balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

The Village of Put-in-Bay has taken note of the audit findings, will correct and implement proper protocol for the future.



Village of Put-in-Bay

Box 245, 435 Catawba Avenue · Put-in-Bay, Ohio 43456 · Ph: (419) 285-4313 · Fax: (419) 285-2533 · pibmc@cros.net

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance and Material Weakness over Dockage Receipts initially reported as Finding 2016-001.	Not corrected and reissued as finding 2017-001 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. Also see Officials' Response.
2016-002	Noncompliance and Material Weakness over ORC 5705.10 (D) for posting receipts to improper funds.	Not corrected and reissued as finding 2017-004 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. Also see Officials' Response.
2016-003	Noncompliance and Material Weakness ORC 5705.10 (E) for posting debt proceeds into improper funds.	Fully corrected.	N/A
2016-004	Noncompliance and Material Weakness ORC 5705.10(I) for making payments from improper funds.	Not corrected and reissued as finding 2017-004 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. Also see Officials' Response.
2016-005	Material Weakness over Financial Reporting for errors identified resulting in audit adjustments. Initially reported as Finding 2013-001	Not corrected and reissued as finding 2017-003 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. Also see Officials' Response.
2016-006	Noncompliance with Village Ordinance and Significant Deficiency over Utility Interest and Penalties.	Not corrected and repeated as finding 2017-002 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. Also see Officials' Response.

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