



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2019.

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 opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2019, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village, as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

As discussed in Note 14 to the financial statements, during 2019, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB 84) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 22, 2021

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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, 2019

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property taxes and Other Local Taxes	\$ 918,294	\$ 2,389			\$ 920,683
Intergovernmental	51,809	70,078		\$ 4,263	126,150
Charges for services	719,480			29,180	748,660
Fines, Licenses and Permits	54,896	23,562			78,458
Contributions and donations		1,574		5,000	6,574
Earnings on investments	26,175	2,091			28,266
Miscellaneous	97,985	20,000			117,985
<i>Total Cash Receipts</i>	<u>1,868,639</u>	<u>119,694</u>		<u>38,443</u>	<u>2,026,776</u>
Cash Disbursements					
Current:					
Security of Persons and Property	699,167				699,167
Leisure Time Activities	362,487	67			362,554
Community Environment	43,288				43,288
Transportation	75,346				75,346
General Government	506,080	3,140			509,220
Capital Outlay	17,104			109,157	126,261
Debt Service:					
Principal Retirement	219,896		\$ 6,570	866,000	1,092,466
Interest and Fiscal Charges	197,546		2,303	20,000	219,849
Issuance Costs				6,591	6,591
<i>Total Cash Disbursements</i>	<u>2,120,914</u>	<u>3,207</u>	<u>8,873</u>	<u>1,001,748</u>	<u>3,134,742</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(252,275)</u>	<u>116,487</u>	<u>(8,873)</u>	<u>(963,305)</u>	<u>(1,107,966)</u>
Other Financing Receipts (Disbursements)					
Premium on Bond Anticipation Note Issuance				10,431	10,431
Bond Anticipation Note Issuance				885,000	885,000
Transfers In				5,000	5,000
Transfers Out	(5,000)				(5,000)
Advances Out	(192,032)				(192,032)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(197,032)</u>			<u>900,431</u>	<u>703,399</u>
<i>Net Change in Fund Cash Balances</i>	<u>(449,307)</u>	<u>116,487</u>	<u>(8,873)</u>	<u>(62,874)</u>	<u>(404,567)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,319,215</u>	<u>368,527</u>	<u>10,232</u>	<u>183,142</u>	<u>1,881,116</u>
Fund Cash Balances, December 31					
Restricted		450,629	1,359	16,541	468,529
Committed		34,385		61,437	95,822
Assigned	759,256			42,290	801,546
Unassigned	110,652				110,652
<i>Fund Cash Balances, December 31</i>	<u>\$ 869,908</u>	<u>\$ 485,014</u>	<u>\$ 1,359</u>	<u>\$ 120,268</u>	<u>\$ 1,476,549</u>

SEE ACCOMPANYING NOTES TO THE 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, 2019

	Enterprise	Custodial	Totals (Memorandum Only)
Operating Cash Receipts			
Charges for services	\$ 1,300,933		\$ 1,300,933
Fines, Licenses and Permits		\$ 41,953	41,953
<i>Total Operating Cash Receipts</i>	<u>1,300,933</u>	<u>41,953</u>	<u>1,342,886</u>
Operating Cash Disbursements			
Personal Services	360,427		360,427
Employee Fringe Benefits	170,287		170,287
Contractual Services	159,542		159,542
Supplies and Materials	420,399		420,399
Other	14,140	34,424	48,564
<i>Total Operating Cash Disbursements</i>	<u>1,124,795</u>	<u>34,424</u>	<u>1,159,219</u>
<i>Operating Income</i>	<u>176,138</u>	<u>7,529</u>	<u>183,667</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	161,623		161,623
Miscellaneous	25,431		25,431
Capital Outlay	(1,537,765)		(1,537,765)
Principal Retirement	(169,078)		(169,078)
Interest and Fiscal Charges	(27,818)		(27,818)
Other Financing Sources	6,415		6,415
Intergovernmental	206,250		206,250
Loans Issued	1,756,525		1,756,525
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>421,583</u>		<u>421,583</u>
<i>Income Before Advances</i>	597,721	7,529	605,250
Advances In	192,032		192,032
<i>Net Change in Fund Cash Balances</i>	789,753	7,529	797,282
<i>Fund Cash Balances, January 1</i>	<u>1,434,692</u>	<u>1,907</u>	<u>1,436,599</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,224,445</u>	<u>\$ 9,436</u>	<u>\$ 2,233,881</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Village classifies each fund as either governmental, proprietary or fiduciary.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund cash balance is available for any purpose provided it is disbursed 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 Fund:

Mayor's Court Computer Fund - The Mayor's Court Computer Fund accounts for additional mayor's court fees restricted for computerizing the court.

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

Special Assessment Debt-Bayview Avenue Fund - The Special Assessment Debt-Bayview Avenue 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, 2019

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:

Bond Retirement Fund - The Bond Retirement 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 Operating Fund - The Water Operating Fund accounts for the provision of water treatment and distribution to residential and commercial users within the Village.

Sewer Operating Fund - The Sewer Operating Fund accounts for the provision of wastewater treatment service to residential and commercial users within the Village.

Fiduciary Funds - Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have a private purpose trust fund.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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 2019 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

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

Accumulated Leave

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

Fund Cash Balance

Fund cash balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General Fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of Village Council, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2019 follows:

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,773,024	\$ 1,868,639	\$ 95,615
Special Revenue	53,670	119,694	66,024
Capital Projects	919,715	938,874	19,159
Enterprise	3,681,928	3,649,209	(32,719)
Total	\$ 6,428,337	\$ 6,576,416	\$ 148,079

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,414,799	\$ 2,334,934	\$ 79,865
Special Revenue	358,869	3,207	355,662
Debt Service	4,100	8,873	(4,773)
Capital Projects	1,413,910	1,001,748	412,162
Enterprise	4,053,428	2,863,600	1,189,828
Total	\$ 8,245,106	\$ 6,212,362	\$ 2,032,744

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:

	2019
Demand deposits	\$3,215,449
STAR Ohio	494,981
Total Deposits and Investments	\$3,710,430

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Contrary to Ohio law, the public entity deposit pool was maintained outside of the Ohio Pooled Collateral System at December 31, 2019.

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
For the Year Ended December 31, 2019

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police officers, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

Village of Put-in-Bay
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Village has paid all contractually required contributions for 2019.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - Village full-time police officers participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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Notes to the Financial Statements
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	Police
2019 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2019 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee	12.25 %

The Village has paid all contractually required contributions for 2019.

NOTE 8 - DEFINED BENEFIT OPEB PLANS

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village has paid all contractually required contributions for 2019.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village has paid all contractually required contributions for 2019.

Village of Put-in-Bay
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Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 9 - LONG-TERM DEBT

A. The Village's long-term debt outstanding for the year ended December 31, 2019, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority		
State Sewer Project Loan #2087	\$ 11,349	6.87%
State Sewer Project Loan #2088	44,442	6.12%
State Sewer Project Loan #3029	6,311	6.87%
State Water Project Supplement Loan #3030	2,180	5.88%
Water Plan Renovation Loan #4312	51,231	4.00%
Ground Level Storage Project Loan #4735	751,849	1.50%
Phase 1, Phase II WWTP Imp. Effluent Discharge Loan #5039	713,076	1.50%
Water Intake Improvement Loan #5897	717,992	2.00%
WTP & Intake Phase II Loan #6122	694,479	2.00%
WTP Ozone Improvements Loan #8439	1,550,275	0.00%
Ohio Public Works Commission		
Water Plant Loan #CU408	9,570	3.00%
Wastewater Treatment Plant Improvements Loan #CE55H	34,665	0.00%
South Bass Island Water System Improvements Loan #CU05K	18,051	0.00%
Waste Water Treatment Plant Effluent Storm Sewer Loan #CE26L	93,392	0.00%
Waste Water Treatment Plant Improvement Loan #CE38K	157,329	0.00%
Water Treatment Raw Water Intake Replacement Loan #CE46O	243,750	0.00%
WTP Improvements Loan #CT14T	201,094	0.00%
Municipal Dock Improvement Project Bonds, Series 2014	3,581,377	1.5 - 4%
Bond Anticipation Note	885,000	2.50%
Total	\$ 9,767,412	

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 2039. Water and sewer receipts collateralize the loans. 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. OWDA loan #8439 is still open and the project is not yet complete. An amortization schedule is not yet available for this loan and, accordingly, is not reflected in the schedule below.

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

Village of Put-in-Bay
Ottawa County
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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 2044.

A Bond Anticipation Note was issued in 2018. The proceeds of this note were used to acquire real estate in the Village. The Village repaid the note in one payment in 2019 and issued another Bond Anticipation Note.

B. 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
2020	\$ 266,662	\$ 43,444	\$ 232,625	\$ 907,125
2021	246,334	50,175	230,725	
2022	246,647	51,212	227,875	
2023	230,316	46,661	230,025	
2024	230,316	46,634	232,025	
2025 - 2029	1,104,470	214,508	1,150,375	
2030 - 2034	754,925	149,595	1,156,175	
2035 - 2039	329,528	129,079	1,152,500	
2040 - 2044		27,083	1,092,577	
Total	<u>\$ 3,409,198</u>	<u>\$ 758,391</u>	<u>\$ 5,704,902</u>	<u>\$ 907,125</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.

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.

NOTE 11 - COMPLIANCE

Contrary to Village ordinance, authorized dock rates, including weekday day rates on weekends, were not always charged or documented as being approved.

Village of Put-in-Bay
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Notes to the Financial Statements
For the Year Ended December 31, 2019

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Special Assessment Debt-Bayview Avenue Fund at December 31, 2019.

Also contrary to Ohio law, the Village failed to record Permissive MVL receipts to the proper fund.

Contrary to the Village's codified ordinances, the Village did not deposit dock receipts into the proper funds.

NOTE 12 - MISCELLANEOUS REVENUE

Special Revenue Fund Type miscellaneous receipts consisted primarily of proceeds from the sale of an item not meeting the definition of a permanent improvement.

NOTE 13 - SUBSEQUENT EVENTS

The Village's Bond Anticipation Note rolled over on December 5, 2020 for \$885,000 with a maturity date of December 5, 2021.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2019, the Village has implemented GASB Statement No. 84, "*Fiduciary Activities.*"

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Village will no longer be reporting agency funds. The Village reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds. These fund reclassifications were incorporated in the Village's 2019 financial statements; primarily the change in fund type name from agency to custodial. There were no restatements of fund balances deemed necessary.

NOTE 15 - INTERFUND BALANCES

Advances

Outstanding advances at December 31, 2019, consisted of \$192,032 advanced from the General Fund to the HAB Improvement Fund to provide working capital for projects.

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OHIO AUDITOR OF STATE KEITH FABER



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Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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, 2019, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administration Code Section 117-2-03(D) permit. We also noted the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 2019-003 and 2019-006 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 2019-004 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 financial statement. 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 2019-001 through 2019-005.

Village's Response to Findings

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

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.



Keith Faber
Auditor of State
Columbus, Ohio

January 22, 2021

VILLAGE OF PUT-IN-BAY
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

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

FINDING NUMBER 2019-001

Noncompliance Citation

Village of Put-in-Bay Ordinance 1217-19 establishes and sets the dockage fees for 2019.

In addition, **Village of Put-in-Bay Ordinance 1217-19, Section 2** provides in part that at the Dock Master's discretion day passes may be issued on the weekends.

Due to deficiencies in internal controls over dock fees, the following matters were noted:

1. Four dock permits (out of one hundred fifty) did not have the authorized fee charged; and
2. Eighty-two dock permits (out of one hundred fifty) charged the day pass rate on a weekend; however, no documentation of the Dock Master's approval for a weekend day dockage fee was provided.

Failure to charge authorized rates and document approval for the use of day pass rates on the weekend could allow for misappropriation of assets to occur and go undetected in addition to potentially subjecting the Village to an unnecessary loss of revenue.

The Village should implement policies and procedures to:

1. Help ensure the dock hands are calculating the amount due based on rates that have been approved by the Village Council; and
2. Help ensure proper documentation of the Dock Master's approval for the issuance of day passes on the weekends is obtained and retained for audit.

Officials' Response:

The Village acknowledges the two matters notes, and will strengthen the language in the policy to ensure the proper rates are being charged per the head dockmaster's discretion.

FINDING NUMBER 2019-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village's Special Assessment Debt-Bayview Avenue Fund had expenditures in excess of appropriations of \$4,773 as of December 31, 2019.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations.

**FINDING NUMBER 2019-002
(Continued)**

Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

Fiscal Officer has previously worked with an Auditor to resolve this issue. It is currently fully corrected.

FINDING NUMBER 2019-003

Noncompliance Citation and Material Weakness

Village of Put-in-Bay Ordinance No. 1121-15 provides in part that the financing for the dockage facilities capital improvement fund shall be funded from the general fund as eight and one-half percent (8.5%) of the net dockage revenue after expenses on an annual basis.

Due to deficiencies in the Village's internal controls over dock revenue, the Village failed to make a deposit into the dock improvement and maintenance fund from the net dockage revenue during the audit period. Audit adjustments are reflected in the financial statements, notes to the financial statements, and in the accounting records correcting the misstatement in the amount of \$29,180.

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 net dockage revenue is properly recorded into the dock improvement and maintenance fund in accordance with the provisions above.

Officials' Response:

The Village acknowledges the deposit from the general fund in to the dock maintenance fund was not completed. The Fiscal Officer and legal counsel have amended the ordinance to reflect a "cut-off date" in December of the coinciding year, to ensure the deposit will be made.

FINDING NUMBER 2019-004

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code § 5705.10(D) provides in part 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.

The Village inappropriately recorded \$3,581 of permissive motor vehicle license tax revenue in the General Fund. Given the source of the revenue, this should have been recorded in the Permissive Motor Vehicle License Tax Fund. Audit adjustments are reflected in the financial statements, notes to the financial statements, and in the accounting records correcting the misstatements.

**FINDING NUMBER 2019-004
(Continued)**

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.

Officials' Response:

Fiscal Officer has corrected the citation and will record the funds correctly based on ORC 5705.10(D).

FINDING NUMBER 2019-005

Noncompliance Citation

Ohio Rev. Code § 135.18(A) provides that each institution designated as a public depository and awarded public deposits under Ohio Rev. Code § 135.01 to 135.21, except as provided in Ohio Rev. Code § 135.144 or 135.145, shall provide security for the repayment of all public deposits by selecting one of the following methods:

1. Securing all uninsured public deposits of each public depositor separately by pledging to the public depositor eligible securities of aggregate market value at all times equal to at least one hundred five percent of the total amount of the public depositor's uninsured public deposits; and/or
2. Securing all uninsured public deposits of every public depositor by establishing and pledging to the treasurer of state a single pool of collateral for the benefit of every public depositor at the public depository.

Ohio Rev. Code § 135.182 establishes the Ohio Pooled Collateral Program established under the Treasurer of State. Under this program, each institution designated as a public depository that selects the pledging method shall pledge to the treasurer of state a single pool of eligible securities for the benefit of all public depositors at the public depository to secure the repayment of all uninsured public deposits at the public depository, provided that at all times the total market value of the securities so pledged is at least equal to either of the following:

1. One hundred two percent of the total amount of all uninsured public deposits; and/or
2. An amount determined by rules adopted by the Treasurer of State that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository pursuant to division (B) of this section. Such criteria shall include, but are not limited to, prudent capital and liquidity management by the public depository and the safety and soundness of the public depository as determined by a third-party rating organization.

Due to deficiencies in policies and procedures over the monitoring of collateral, one of the Village's designated depositories, First National Bank, did not specifically pledge securities to the Village to collateralize deposits nor did the bank enroll in the Ohio Pooled Collateral Program and the Fiscal Officer did not verify that the bank provided the required allowable collateral. As of December 31, 2019, the portion of the Village's bank balance that was uninsured and uncollateralized was \$3,204,689. The lack of required pledged securities could put the entire balance at risk in the event of bank failure.

The Fiscal Officer should monitor any designated depository utilized by the Village to ensure they are providing the required specifically pledged collateral or are enrolled in the Ohio Pooled Collateral System.

**FINDING NUMBER 2019-005
(Continued)**

Officials' Response:

The Village of Put-in-Bay uses the services of First National Bank. At the time of the audit, FNB was non-compliant by not being enrolled in pooled collateral program. At the end of 2020, FNB has become compliant, and the Village is now compliant.

FINDING NUMBER 2019-006

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.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements were identified:

- Debt Service Fund Type appropriation authority was decreased in the amount of \$5,327 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the authorized budget amount;
- Capital Projects Fund Type appropriation authority was increased in the amount of \$390,045 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the authorized budget amount;
- Capital Projects Fund Type restricted fund balance in the amount of \$42,290 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Enterprise Fund Type budgetary expenditures were increased in the amount of \$681,778 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with actual activity;
- Enterprise Fund Type non-operating capital outlay disbursements in the amount of \$1,537,765 were incorrectly classified as operating capital outlay disbursements; and
- Custodial Fund Type fund cash balance, January 1 was overstated in the amount of \$5,522 and fund cash balance, December 31 was understated in the amount of \$9,783.

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The failure to adequately monitor financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$1,740 to \$161,591 that we have brought to the Village's attention.

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 financial statements and notes to the financial statements by the Fiscal Officer and Village Council. The Fiscal Officer can refer to the Village Officer's Handbook at the following website address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/Village%20Officers%20Manual.pdf>

**FINDING NUMBER 2019-006
 (Continued)**

Officials' Response:

The Village acknowledges the following errors in financial reporting by Julian and Grube. In the future when using Julian and Grube, the Fiscal Officer will forward any correspondence to the firm making them aware of the errors that have occurred, to ensure they will not occur again.

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS report.

FINDING NUMBER 2019-007

Finding for Recovery

The Village of Put-In-Bay Personnel Policy and Procedure Manual section 6.07 (Sick Leave Policy) states in part: "An employee, at the time of his or her retirement from active service with the Village, shall be paid one-fourth (1/4) of the value of his/her earned but unused sick leave balance, not to exceed forty-five (45) days. Retirement shall mean an employee's approved retirement by OPERS or OPFPF. Such payment shall be based on the employee's rate of pay at the time of retirement."

During 2019 there was an error in calculating the severance payment for former water employee David Dezeeuw for unused sick time. Due to deficiencies in the Village's internal controls over severance calculations the employee was improperly compensated for forty-five days (360 hours) rather than twenty-five percent of his unused sick leave balance. As a result, the former water employee was over-compensated as follows:

Hourly Rate	\$ 26.17
Maximum Leave Hours Subject to Severance (1,220.29 hrs x 25%)	<u>305.0725</u>
Total Severance Amount Due	\$ 7,983.75
Less Gross Severance Paid to Employee (360 hrs X \$26.17)	<u>9,421.20</u>
Overpayment to Employee	<u><u>\$(1,437.45)</u></u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended may be issued against David Dezeeuw, water employee, in the amount of one thousand four hundred thirty-seven dollars (\$1,437) in favor of the Village of Put-in-Bay Water Operating Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.-3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or

**FINDING NUMBER 2019-007
(Continued)**

restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att'y. Gen. No. 80-074.

Fiscal Officer Courtney Blumensaadt authorized the disbursement resulting in the improper severance payment. Fiscal Officer Courtney Blumensaadt is jointly and severally liable in the amount of \$1,437 and in favor of the Village of Put-in-Bay Water Operating Fund to the extent that recovery is not obtained from David Dezeeuw.

The Village should implement policies and procedures to ensure proper calculation of severance pay. Failure to do so could result in findings for recovery.

Officials' Response:

The Village of Put-in-Bay recognizes and acknowledges the incorrect calculation in severance pay. Since the finding occurred, the Village policy will be rewritten in simpler terms to ensure the correct calculation takes place.



Village of Put-in-Bay

435 Catawba Ave. P.O. Box 245 - Put-in-Bay, Ohio 43456,
 Phone: 419 285-4313 Fax: 419 285-2533 Email: fiscaloffice@villageofpib.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Finding for abuse for the failure to sign a contract timely, resulting in increased rental costs.	Fully corrected.	
2018-002	Finding for abuse for the failure to submit a settlement claim, resulting in a loss of monies.	Fully corrected.	
2018-003	Material weakness for errors in financial reporting initially reported as Finding 2013-001.	Not corrected and reissued as finding 2019-006 in this report.	This matter is being repeated due to deficiencies in the Village's internal controls over financial reporting. In the future when using Julian and Grube, the Fiscal Officer will forward any correspondence to the firm making them aware of the errors that have occurred, to ensure they will not occur again.
2018-004	Ohio Admin. Code §§ 117-2-01(A), 117-2-02(B)(1)(b) and 117-2-01(D) and material weakness over dockage receipts initially reported as Finding 2016-001.	Partially corrected and reissued as finding 2019-001 in this report.	Matters related to the completeness of transactions were resolved, reducing the items noted in Finding 2018-004 to a material noncompliance citation only. This noncompliance occurred due to deficiencies in the Village's internal controls over dock rates. The Village will strengthen the language in the policy to ensure the proper rates are being charged per the head dockmaster's discretion.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019
(CONTINUED)**

Finding Number	Finding Summary	Status	Additional Information
2018-005	Village of Put-in-Bay Ordinance No. 1121-15 and material weakness for failing to fund the dockage facilities capital improvement fund from the general fund at 8.5% of net dockage revenue after expenses.	Not corrected and reissued as finding 2019-003 in this report.	This matter is being repeated due to deficiencies in the Village's internal controls over the allocation of net dockage revenue. The Fiscal Officer and legal counsel have amended the ordinance to reflect a "cut-off date" in December of the coinciding year, to ensure the deposit will be made.
2018-006	Ohio Rev. Code § 5705.10(D) and significant deficiency for allocating revenues to improper funds initially reported as Finding 2016-002.	Not corrected and reissued as finding 2019-004 in this report.	This matter is being repeated due to deficiencies in the Village's internal controls over financial statement monitoring. The Fiscal Officer has corrected the citation and will record the funds correctly moving forward.
2018-007	Noncompliance with Ohio Public Works Commission and Ohio Water Development Authority debt covenants related to Environmental Protection Agency violations.	Fully corrected.	
2018-008	Ohio Rev. Code §§ 135.18(A) and 135.182, for a collateral pool outside of the Ohio Pooled Collateral System.	Not corrected and reissued as finding 2019-005 in this report.	This matter is being repeated due to deficiencies in the Village's internal controls over collateral monitoring. First National Bank has become compliant with this section of law at the end of 2020.
2018-009	Finding for recovery repaid under audit related to retroactive and severance pay.	Not corrected and reissued as finding 2019-007 in this report.	This matter is being repeated due to deficiencies in the Village's internal controls over leave payout. The Village policy will be rewritten in simpler terms to ensure the correct calculation takes place.
2018-010	Finding for recovery partially repaid under audit for the failure to reimburse travel in accordance with the Village's policy.	Fully corrected.	Repayments have been made by all individuals named except for one, in the amount of \$127.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019
(CONTINUED)**

Finding Number	Finding Summary	Status	Additional Information
2018-011	Finding for recovery partially repaid under audit for the failure to make credit card purchases in accordance with the Village's credit card policy and for the payment of late fees and finance charges.	Partially corrected and reissued as part of the management letter.	Repayments have been made by all individuals named. During the audit period, \$206 in late fees and finance charges were identified due to deficiencies in the Village's internal controls over credit card payments, reducing this finding to a management letter comment. The Village has implemented new internal controls and policies and procedures to serve as a corrective action.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF PUT-IN-BAY

OTTAWA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/9/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov