



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, 2018.

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 *Additional Opinion Qualification* and *Unmodified Opinions on Regulatory Basis of Accounting* 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, 2018, and the respective changes in financial position thereof for the year then ended.

Basis for Additional Opinion Qualification

Dockage charges for services receipts are reported at \$374,031 for the year ended December 31, 2018, which are nineteen percent of general fund receipts for the year ended December 31, 2018. 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, 2018, 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 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 of the special revenue, debt service, capital projects, enterprise, and agency funds, of the Village of Put-in-Bay, Ottawa County, Ohio as December 31, 2018, for the year 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 ensuing emergency measures will impact subsequent periods of the Village. 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 July 7, 2020, 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

July 7, 2020

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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, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$953,295				\$953,295
Intergovernmental	60,847	\$57,884			118,731
Special Assessments			\$894		894
Charges for Services	703,191			\$29,257	732,448
Fines, Licenses and Permits	108,689	4,310			112,999
Earnings on Investments	24,084	1,618			25,702
Miscellaneous	76,821	3,310		6,705	86,836
<i>Total Cash Receipts</i>	<u>1,926,927</u>	<u>67,122</u>	<u>894</u>	<u>35,962</u>	<u>2,030,905</u>
Cash Disbursements					
Current:					
Security of Persons and Property	691,357				691,357
Leisure Time Activities	363,371	286			363,657
Community Environment	22,168				22,168
Transportation	56,795				56,795
General Government	554,712	1,892	89		556,693
Capital Outlay	10,344				10,344
Debt Service:					
Principal Retirement	208,729		12,029	1,300,000	1,520,758
Interest and Fiscal Charges	207,121		2,799		209,920
<i>Total Cash Disbursements</i>	<u>2,114,597</u>	<u>2,178</u>	<u>14,917</u>	<u>1,300,000</u>	<u>3,431,692</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(187,670)</u>	<u>64,944</u>	<u>(14,023)</u>	<u>(1,264,038)</u>	<u>(1,400,787)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				1,300,000	1,300,000
Transfers In			1,400	55,782	57,182
Transfers Out	(57,182)				(57,182)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(57,182)</u>		<u>1,400</u>	<u>1,355,782</u>	<u>1,300,000</u>
<i>Net Change in Fund Cash Balances</i>	(244,852)	64,944	(12,623)	91,744	(100,787)
<i>Fund Cash Balances, January 1</i>	<u>1,564,067</u>	<u>303,583</u>	<u>22,855</u>	<u>91,398</u>	<u>1,981,903</u>
Fund Cash Balances, December 31					
Restricted		335,650	10,232	69,042	414,924
Committed		32,877		43,913	76,790
Assigned	643,422			70,187	713,609
Unassigned	675,793				675,793
<i>Fund Cash Balances, December 31</i>	<u>\$1,319,215</u>	<u>\$368,527</u>	<u>\$10,232</u>	<u>\$183,142</u>	<u>\$1,881,116</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, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,236,475		\$1,236,475
Fines, Licenses and Permits		\$83,927	83,927
Miscellaneous		3,561	3,561
<i>Total Operating Cash Receipts</i>	<u>1,236,475</u>	<u>87,488</u>	<u>1,323,963</u>
Operating Cash Disbursements			
Personal Services	380,807		380,807
Employee Fringe Benefits	169,313		169,313
Contractual Services	160,625		160,625
Supplies and Materials	357,690		357,690
Other	17,032	84,857	101,889
<i>Total Operating Cash Disbursements</i>	<u>1,085,467</u>	<u>84,857</u>	<u>1,170,324</u>
<i>Operating Income</i>	<u>151,008</u>	<u>2,631</u>	<u>153,639</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	48,978		48,978
Miscellaneous Receipts	3,851		3,851
Principal Retirement	(109,815)		(109,815)
Interest and Other Fiscal Charges	(24,597)		(24,597)
Other Financing Sources	7,416		7,416
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(74,167)</u>		<u>(74,167)</u>
<i>Net Change in Fund Cash Balances</i>	76,841	2,631	79,472
<i>Fund Cash Balances, January 1</i>	<u>1,357,851</u>	<u>(724)</u>	<u>1,357,127</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,434,692</u>	<u>\$1,907</u>	<u>\$1,436,599</u>

See accompanying notes to the financial statements

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Miscellaneous Capital Projects Fund - The miscellaneous capital projects 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 agency 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.

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 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 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

A summary of 2018 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,148,674	\$ 1,926,927	\$ (221,747)
Special Revenue	82,000	67,122	(14,878)
Debt Service	4,100	2,294	(1,806)
Capital Projects	1,335,169	1,391,744	56,575
Enterprise	1,413,400	1,296,720	(116,680)
Total	<u>\$ 4,983,343</u>	<u>\$ 4,684,807</u>	<u>\$ (298,536)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,389,480	\$ 2,188,467	\$ 201,013
Special Revenue	244,473	2,178	242,295
Debt Service	14,939	14,917	22
Capital Projects	1,408,910	1,300,000	108,910
Enterprise	1,742,511	1,250,380	492,131
Total	<u>\$ 5,800,313</u>	<u>\$ 4,755,942</u>	<u>\$ 1,044,371</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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:

	2018
Demand deposits	\$ 2,834,071
STAR Ohio	483,644
Total deposits and investments	<u>\$ 3,317,715</u>

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, 2018.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 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.

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):

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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
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	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	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
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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 2.25%.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 1.0% 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 2.25% 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:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2018 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The Village has paid all contributions required through December 31, 2018.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Plan Description - Village full-time police 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 after 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 OPF 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 three percent 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 three percent of their base pension or disability benefit.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Police
2018 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2018 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 contributions required through December 31, 2018.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both 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 2017 was 4.0 percent.

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

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent 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 2018, the portion of employer contributions allocated to health care was 0.5 percent 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 is changing 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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - LONG-TERM DEBT

A. The Village's long-term debt outstanding for the year ended December 31, 2018, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority		
Wastewater Treatment Plant Improvements Loan #2087	\$ 33,319	6.87%
Sewer Improvement Loan #2088	57,580	6.12%
Water Plan Improvements & Water Line Construction Loan #3029	18,527	6.87%
Water Plan Impro. & Water Line Constr. Supplement Loan #3030	6,357	5.88%
Water Plan Renovation Loan #4312	59,403	4.00%
Water System Improvements Loan #4735	789,159	1.50%
Phase 1, Phase II WWTP Imp. Effluent Discharge Loan #5039	743,439	1.50%
Water Intake Improvement Loan #5897	771,677	2.00%
WTP & Intake Phase II Loan #6122	740,825	2.00%
Ohio Public Works Commission		
Wastewater Plant Improvement Loan #CU408	10,233	3.00%
Water Treatment Plant Loan #CE55H	39,999	0.00%
South Bass Island Water System Improvements Loan #CU05K	19,857	0.00%
Waste Water Treatment Plant Effluent Storm Sewer Loan #CE26L	98,062	0.00%
Waste Water Treatment Plant Improvement Loan #CE38K	171,012	0.00%
Water Treatment Raw Water Intake Replacement Loan #CE46O	254,584	0.00%
Municipal Dock Improvement Project Bonds, Series 2014	3,671,377	1.5 - 4%
Bond Anticipation Note	1,300,000	2.00%
Total	\$ 8,785,410	

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 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.

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 2018. The proceeds of this note were used to acquire real estate in the Village. The Village will repay the note in one payment in 2019.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

B. Amortization

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

<u>Year Ending December 31,</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Municipal Dock Improvement Project Bonds</u>
2019	\$ 286,451	\$ 39,898	\$ 229,425
2020	266,662	39,899	232,625
2021	246,334	39,898	230,725
2022	246,646	38,110	227,875
2023	231,532	36,322	230,025
2024 - 2028	1,114,940	170,945	1,151,525
2029 - 2033	868,041	121,263	1,007,375
2034 - 2038	378,536	77,515	1,304,425
2039 - 2043	41,401	50,339	1,150,150
2044 - 2047	<u>-</u>	<u>-</u>	<u>228,800</u>
Total	<u>\$3,680,543</u>	<u>\$ 614,189</u>	<u>\$5,992,950</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 the Village's collection of dock receipts for the general fund were not in place and operating effectively and the Village did not post receipts to the proper funds.

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

In addition, the Village did not comply with various debt and grant requirements.

NOTE 12 - MISCELLANEOUS REVENUE

Special revenue fund type miscellaneous receipts consisted primarily of donations.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 13 - SUBSEQUENT EVENTS

In December of 2019, the Village rolled over a bond anticipation note with US Bank for the purchase of property in the amount of \$1,300,000.

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 ensuing emergency measures will 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.

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will 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) 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 2018-003 through 2018-005 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 2018-006 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 2018-001, 2018-002, and 2018-004 through 2018-008.

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.



Keith Faber
Auditor of State

Columbus, Ohio

July 7, 2020

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

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

FINDING NUMBER 2018-001

Finding for Abuse

Generally Accepted Government Auditing Standards, 2011 Revision, § 4.07, defines abuse as behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Further, Ohio Rev. Code § 117.24 states, in part, “the auditor of state or his appointee shall determine whether there has been any malfeasance or gross neglect of duty on the part of any officer or employee of the public office.”

On July 10, 2017, the Village of Put-in-Bay passed Ordinance 1164-17 authorizing the Village Administrator to enter into a contract for providing ozone treatment capability to the Village water system at the recommendation of the Village Engineer.

The Village entered into a renewal agreement for the period of June 1, 2018 through August 31, 2018 with BlueInGreen, LLC for ozone treatments. The agreement proposed by BlueInGreen, LLC stated that if the contract was signed by June 22, 2018, the rental fee would be \$10,000 per month, and if it was signed after that date, it would be \$20,000 per month.

The Village Administrator, as the representative of the Village was responsible for signing the ozone treatments contract on behalf of the Village. Due to deficiencies in internal controls over the monitoring of contract requirements, the Administrator did not sign the contract until June 27, 2018, which is after the June 22, 2018 rental fee increase date noted above, resulting in an additional \$10,000 per month in rental fees incurred by the Village. While it was determined that there was no violation of law, the excessive payments made to BlueInGreen, LLC, totaling \$30,000, represent behavior a prudent person would not consider reasonable and necessary business practice given the facts and circumstances, which we consider to be of a material nature.

The Village Council should take actions to ensure that employees of the Village are held accountable to ensure public funds are being spent in a prudent manner to serve the people of the Village of Put-in-Bay. Also, the Village of Put-in-Bay should implement procedures to help ensure future contracts are signed in a timely manner and to help ensure the lowest price paid for the particular contract. This will lessen the future contract burden on the Village and ensure payouts are not made in excessive amounts.

FINDING NUMBER 2018-002

Finding for Abuse

Generally Accepted Government Auditing Standards, 2011 Revision, § 4.07, defines abuse as behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Further, Ohio Rev. Code § 117.24 states, in part, “the auditor of state or his appointee shall determine whether there has been any malfeasance or gross neglect of duty on the part of any officer or employee of the public office.”

The Village received notice from the administrator of a class action lawsuit for “Merrill v. ODNR Administrator”. The notice indicated that the Village was eligible for a settlement due to owning property along the lake shore between the dates of May 28, 1998 and May 20, 2015. The Village was required to submit the claim form by October 12, 2016 to receive the SLL Rental Fees of up to \$201,256 determined by the settlement agreement.

The former Village Fiscal Officer, as the Village representative that received the claim form, was responsible for completing and returning it by the required date of October 12, 2016. The Village Council was not informed of this settlement offer until after the former Fiscal Officer was terminated in May, 2018, when the blank settlement form was located in the Fiscal Officer’s office.

While it was determined that there was no violation of law, the failure to complete the claim form and claim the settlement to fiscally help the Village represents behavior a prudent person would not consider reasonable and necessary business practice given the facts and circumstances, which we consider to be of a material nature.

This abuse occurred due to deficiencies in the Village’s internal controls and monitoring over settlements and Village activity.

The Village Council should ensure controls are in place and take actions to make certain all employees of the Village are held accountable to ensure public funds are maintained in a prudent manner to serve the people of the Village of Put-in-Bay. Also the Village of Put-in-Bay should implement procedures to ensure future settlement agreements are brought to the attention of Council and are completed in a timely manner.

FINDING NUMBER 2018-003

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:

- Debt service fund type budgeted estimated receipts were increased in the amount of \$2,700 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 \$81,843 was reclassified to assigned (\$70,187) and committed (\$11,656) in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Agency fund type receipts and disbursements were understated in the amounts of \$3,561 and \$9,083, respectively.

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 accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the year ended December 31, 2018.

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/VillageOfficerHandbook%202-27-19.pdf>

The Fiscal Officer can also refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

FINDING NUMBER 2018-004

Noncompliance Citation 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.

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 dock at which payment was made for;
- Individual dock permits did not always indicate the method of payment;
- The rates charged were not always in accordance with the rates approved by Village Council; and
- The Village did not have policies and procedures in place to ensure deposits were made in tact by the Fiscal Officer.

Further, **Village of Put-in-Bay Ordinance 1195-18, Section 2** provides in part that at the Dock Master's discretion Day Passes may be issued on the weekends. However, no documentation of the Dock Master's approval for the issuance of day passes was available.

Accordingly, we were unable to obtain assurances for completeness over dock receipts, which accounted for nineteen percent of the general fund receipts for the year ended December 31, 2018, and we therefore qualified our audit opinion.

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, and the inability to ensure deposits were made in tact prohibits the assurance of completeness.

**FINDING NUMBER 2018-004
(Continued)**

The Village should:

- Ensure that each permit issued contains the applicable dock identification letter;
- Ensure that each permit issued contains the correct method of payment;
- Ensure the dock hands are calculating the amount due based on rates that have been approved by Council;
- Ensure proper documentation exists of the Dock Master's approval for the issuance of day passes on the weekends; and
- Ensure procedures are in place to help ensure deposits received by the Fiscal Officer are made in tact to the bank.

FINDING NUMBER 2018-005

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 \$29,257.

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.

FINDING NUMBER 2018-006

Noncompliance Citation and Significant Deficiency

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."

The Village inappropriately recorded \$3,785 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.

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 2018-007

Noncompliance Citation

Ohio Public Works Commission (OPWC) Project / Grant Loan Agreement Section IX.A along with **Ohio Water Development Authority (OWDA) Loan Agreement Section 3.2(c)** for various loans obtained by the Village have certain covenants requiring the projects to be operated in accordance with all applicable federal, state, and local environmental laws and regulations. Total principal payments on these loans during 2018 was \$1,650,400.

During 2018 the Environmental Protection Agency (EPA) conducted a review of the Village's water system. In a May 22, 2019 letter from the EPA, the Village was informed of the following violations, contrary to the requirements above:

- Ohio Administrative Code (OAC) Rule 3745-83-01(I)(1)(c), respondent failed to report the information on daily water treatment and system pumpage on June 25, 26, 27, 28, 29, and 30, 2018;
- OAC Rule 3745-83-01(F)(2) respondent failed to monitor for free or combined chlorine at least once every day that water is available to the public at each entry point to the distribution system and a representative point or points in the distribution system on June 13, 28, 29, and the 31 days in July 2018.
- OAC Rule 3745-83-01(F)(8)(c), respondent failed to report the pH at the entry point to the distribution system on June 28, 2018;
- OAC Rule 3745-7-02(A)(1), respondent failed to designate an operator of record with a certification of a class equal to or greater than the classification of the PWS from August 13, 2018 to September 5, 2018;
- OAC Rule 3745-81-74(A), respondent failed to monitor the filtered water or the combined filter effluent for turbidity either continuously or every four hours that the water treatment plant was in operation on June 2, 3, 4, 5, 6, 29, and 30, the 31 days in July 2018, and August 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 28 2018;
- OAC Rule 3745-81-75(A), respondent failed to report turbidity determinations within ten days following the month of June 2018;
- OAC Rule 3745-81-23(B)(2) respondent failed to monitor for nitrate during the month of July 2018;
- OAC Rule 3745-81-23 and the 2018 monitoring schedule, respondent failed to monitor for inorganic chemicals during the monitoring period of June 1, 2018 to October 31, 2018.
- OAC Rules 3745-83-01(I)(1) and 3745-81-75(C)(4) and plans approved on August 4, 2005 (application number 397849) respondent failed to report correctly the lowest clearwell operating depth/level (ft) for the month of June 2018;
- OAC Rule 3745-83-01(I)(3), respondent failed to timely submit the MOR for the month of July 2018;
- OAC Rule 3745-83-01(I)(1)(b), respondent failed to report a summary of samples analyzed, including distribution system sampling and chlorine residual sampling for the month of July 2018;

**FINDING NUMBER 2018-007
(Continued)**

- OAC Rule 3745-81-72(B)(3), respondent failed to report the residual disinfectant concentration in the water entering the distribution system was not less than 0.2 mg/L free chlorine or one mg/L combined chlorine for more than four consecutive hours for the month of July 2018;
- OAC Rule 3745-81-65(I)(2), respondent failed to timely collect the LT2 samples scheduled for July 11, 2018, July, 25, 2018, August 8, 2018, and September 5, 2018;
- On May 23, 2018, Ohio EPA conducted a sanitary survey of Respondent's PWS. On June 13, 2018, Ohio EPA mailed respondent a notice of violation letter identifying significant deficiencies and violations observed at respondent's PWS during the sanitary survey. Respondent was in violation of the following:
 - OAC Rule 3745-83-01(H)(1), respondent has not exercised the valves in the distribution system.
 - OAC Rule 3745-85-01(D)(7) and (8), respondent's contingency plan does not adequately address the process of providing water during an incident.
 - OAC Rule 3745-85-01(D)(2), respondent's contingency plan does not adequately address the amount budgeted for emergency use.
 - OAC Rule 3745-85-01(D)(10), respondent's contingency plan does not describe the process used to determine the list of critical users
 - OAC Rule 3745-85-01(E)(1), (2), and (3), respondent has not addressed the requirements of exercising and documenting the contingency plan
 - OAC Rule 3745-85-01(C)(3), respondent has not provided a copy of the plan to the County EMA.
 - OAC Rule 3745-81-50(B)(1), respondent does not have an adequate sample siting plan;
- OAC Rules 3745-81-60 and 3745-81-61, respondent did not submit a written response to all the significant deficiencies and violations noted in the correspondence dated June 13, 2018, within thirty days;
- OAC Rule 3745-90-05(B) and the cyanotoxin general plan (application number 1215880), respondent failed to install the approved ozone system by July 2018;
- On August 2, 2018, Ohio EPA conducted a limited scope site visit (LSSV) of respondent's PWS and mailed a letter to the Respondent on August 8, 2018 identifying the following significant deficiency while on site:
 - OAC Rule 3745-83-01(H)(1), Multi Tech trains #1 and #4 were out of service; and
- On August 16, 2018, Ohio EPA conducted an LSSV of respondent's PWS and mailed Respondent a letter on August 21, 2018 noting the following violation that was identified during the visit:
 - OAC Rule 3745-83-01(H)(1) and the Director's plan approval application numbers 804909 and 920938, respondent failed to provide 30 days storage of ferric chloride and polymer

Each violation cited above represents a separate violation of Ohio Rev. Code Section 6109.31, which states, in part, that "no person shall violate this chapter, a rule adopted under it, or any order or term or condition of a license, license renewal, variance, or exemption granted by the director of environmental protection under it. Each day of noncompliance is a separate violation."

**FINDING NUMBER 2018-007
(Continued)**

These matters occurred due to deficiencies in the Village's internal controls over compliance. Failure to comply with applicable laws could result in the Village being considered in default of the loan agreements, resulting in loan termination.

The Village should establish policies and procedures to help ensure the facilities are operated in accordance with all applicable federal, state, and local environmental laws and regulations.

FINDING NUMBER 2018-008

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, 2018, the portion of the Village's bank balance that was uninsured and uncollateralized was \$2,631,867. 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.

2. OTHER – FINDINGS FOR RECOVERY

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

FINDING NUMBER 2018-009

Finding for Recovery Repaid Under Audit

On March 13, 2013, the Village of Put-in-Bay Village Council passed Ordinance 1062-13 setting “Salaries and Compensation for Officers and Employees of the Village of Put-in-Bay” including the authorized hourly rate for the Village Administrator.

Robert Knauer was the Village Administrator until April 1, 2016 when he became Utility Assistant, as approved by the Village Council on February 8, 2016. At that time the job position of Utility Assistant was not included on Ordinance 1062-13, but the Village Council approved a rate of \$25.71 per hour for the Utility Assistant position. At the April 11, 2016 Council meeting, Council changed the rate of pay for Knauer to \$18.72 via motion. At the January 6, 2017 Council meeting, Council approved a three percent cost of living increase to all full-time employees bringing Knauer’s pay up to \$19.28. At the December 11, 2017 Council meeting, Council approved a rate increase for Knauer to \$21.00 due to obtaining his Class II license. At the February 14, 2018 Council meeting, Council motioned and passed a retroactive approval of Knauer’s pay to \$25 per hour from June 1, 2016 through August 2, 2017 and \$25.71 per hour from August 3, 2017 to present.

During fiscal year 2018, there was an error in calculating the payment of retroactively approved pay to Robert Knauer for the period of June 1, 2016 through February 14, 2018 due to deficiencies in the Village’s internal controls over payroll calculations. As a result, the employee was over-compensated as follows:

		Retroactive				Retroactive	
<u>Year</u>	<u>Pay Rate</u>	<u>Rate</u>	<u>Difference</u>	<u>Hours</u>		<u>Gross</u>	
2016	\$ 18.72	\$ 25.00	\$ 6.28	1,200	\$	7,536.00	
2017	18.72	25.00	6.28	80		502.40	
	19.28	25.00	5.72	1,200		6,864.00	
	19.28	25.71	6.43	720		4,629.60	
	21.00	25.71	4.71	80		376.80	
2018	21.00	25.71	4.71	240		1,130.40	
					\$	21,039.20	Total Due
						24,063.60	Amount Paid
					\$	(3,024.40)	Overpayment

Additionally, The Village of Put-in-Bay Personnel Policy and Procedure Manual was adopted on August 9, 2010. Section 6.07 “Sick Leave” policy is included in the manual. Section 6.07 “Sick Leave” provides that “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 days.”

During fiscal year 2018, there was an error in calculating the payment of sick leave severance approved to Robert Knauer upon his retirement on April 27, 2018, due to deficiencies in the Village’s internal controls over payroll calculations. As a result, the employee was over-compensated as follows:

**FINDING NUMBER 2018-009
 (Continued)**

Hourly Rate	\$ 25.71	
Maximum Days Subject to Severance (553.44 hours x .25)	138.36	
Total Severance Amount Due		\$3,557.24
Gross Severance Paid to Employee (Sick Leave)	\$3,779.00	
Total Overpayment to Employee (Sick Leave)		\$ (221.76)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Robert Knauer, in the amount of \$3,245 and in favor of the Village of Put-in-Bay water operating (\$3,127) and sewer operating (\$118) funds, respectively.

Former Fiscal Officer Kelly Niese authorized the direct deposit resulting in the improper retroactive pay payment.

Mayor Jessica Dress and Council Member Kelly Faris authorized the disbursement resulting in the improper severance payment.

The Village should develop policies and procedures to ensure payroll payments are calculated in accordance with the Village's policy and approved rates.

Robert Knauer reimbursed the Village through a personal check on July 7, 2020 (\$3,245).

FINDING NUMBER 2018-010

Finding for Recovery Partially Repaid Under Audit

The Village of Put-in-Bay Personnel Policy and Procedure Manual was adopted on August 9, 2010. Section 7.02 "Travel Expenses while on Village Business" is included as part of this manual.

Section 7.02 "Travel Expenses while on Village Business" provides, in part, the Village is to pay for or reimburse employees for reasonable and necessary expenditures made by employees while on official Village business within the travel policy requirements. The policy also requires, in pertinent part:

- Prior travel approval from the Mayor's Office is required for all travel done by Village employees, elected officials or appointed officials of the Village of Put-in-Bay;
- Overnight accommodations when traveling within a 75-mile radius of the Village will not be approved;
- Expenses incurred for meals with an overnight stay outside of a 75-mile radius while on official business will be reimbursed at actual cost with the approval of the appropriate administrative official. Such approval must be granted prior to the employee incurring the expense; An employee is eligible for such reimbursement only when travel has been authorized in writing by the appropriate administrative official, and when the travel extends overnight; and
- Non-allowable expenses include room service charges, tips in excess of 15% of the meal cost, barber, beauty parlor, or toiletries, and any otherwise allowable expense where no receipt is provided as documentation by the employee.

As noted in the following table, employees were reimbursed for travel and training expenses in the total amount of \$1,640 during 2018 that were not made in accordance with the applicable Village policies outlined above because they were for meal or hotel reimbursements that were within 75 miles of the Village without an allowable overnight stay, unallowable personal items, or tips in excess of 15%. Disbursements that are not made within the Village's policies do not serve a proper public purpose.

**FINDING NUMBER 2018-010
 (Continued)**

		<u>Employee</u>				<u>Check Signer (Two per Transaction)</u>																																
	Title	Number of Transactions Within 75 miles	Nonallowable expense	Total											Total																							
					Kelly Niese, Former Fiscal Officer	Joy Cooper, Interim Fiscal Officer	Courtney Blumensaadt, Fiscal Officer	Jessica Dress, Mayor	Kelly Fairs, Council Member	Bernard Michael McCann, Council Member	Jeffery Koehler, Council Member	Phillip Boyles, Council Member	Undetermined																									
Employee	Carson Frase	Police Officer	2	\$ 280																	\$ 280	\$ 141	\$ 139	\$ 141		\$ 139										\$ 560		
	Karen Goaziou	Mayor's Court Clerk	2	356																			\$ 284		72			72	\$ 284									712
	Kelly Niese	Former Fiscal Officer	3	561	\$ 83																					\$ 353		291	\$ 353	\$ 291							1,288	
	Matthew Mariano	Police Officer	1	139																						139			139								278	
	Michael Woodside	Police Officer	1	127																				127			127										254	
	Paul Steven Riddle	Chief of Police	2		90																					90	90										180	
	Scott Sneller	Streets / Maintenance	1	4																							4										8	
	Total Dollar					\$ 1,640																	\$ 284	\$ 268	\$ 215	\$ 231	\$ 709	\$ 211	\$ 575	\$ 496	\$ 291						\$ 3,280	
Total Transactions			12			12																1	2	3	3	5	2	3	3	2						24		

**FINDING NUMBER 2018-010
(Continued)**

In accordance with the preceding facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the employees named above (identified in the corresponding "Employee" rows in the table above), in the cumulative amount of \$1,640, and in favor of the Village of Put-in-Bay general (\$1,612), water operating (\$14) and sewer operating (\$14) funds.

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

Fiscal Officers, Council Members, and Mayors authorized disbursements resulting in the improper payments. Fiscal Officers, Council Members, Mayors (each of which is identified in the corresponding "Check Signer" rows in the table above), are jointly and severally liable in the amount of \$1,640 and in favor of the Village of Put-in-Bay general (\$1,612), water operating (\$14) and sewer operating (\$14) funds to the extent that recovery is not obtained from the employee.

These matters occurred due to deficiencies in the implementation of the Village's policies and procedure manual and review of travel disbursements. The Village should develop policies and procedures to ensure travel disbursements are made in accordance with the Village's policies and procedures.

Karen Goaziou reimbursed the Village through personal check on July 8, 2020 (\$356).

FINDING NUMBER 2018-011

Finding for Recovery Partially Repaid Under Audit

The Village of Put-in-Bay "Credit Card Policy" and Personnel Policy and Procedure Manual were adopted on March 12, 2002 and August 9, 2010, respectively. Within the manual, the Village's travel expense policy was also formally adopted as Section 7.02 "Travel Expenses while on Village Business."

The Village's "Credit Card Policy" provides that "the purpose of the credit card shall be in the best interests of the Village of Put-in-Bay to clearly show expenditures and documentation of purchases" and that "valid and legal expenditures of the Village of Put-in-Bay may be incurred through the use of a Credit Card." The policy further requires that "all expenditures through use of a credit card must be documented and forwarded to the Clerk-Treasurer...and the receipt must clearly show the expenditure and signature of the individual using the credit Card."

Section 7.02 "Travel Expenses while on Village Business" provides, in part, the Village is to pay for or reimburse employees for reasonable and necessary expenditures made by employees while on official Village business within the travel policy requirements. The policy also requires, in pertinent part:

- Prior travel approval from the Mayor's Office is required for all travel done by Village employees, elected officials or appointed officials of the Village of Put-in-Bay;
- Overnight accommodations when traveling within a 75-mile radius of the Village will not be approved;
- Expenses incurred for meals with an overnight stay outside of a 75-mile radius while on official business will be reimbursed at actual cost with the approval of the appropriate administrative official. Such approval must be granted prior to the employee incurring the expense; An employee is eligible for such reimbursement only when travel has been authorized in writing by the appropriate administrative official, and when the travel extends overnight; and
- Nonallowable expenses identified in the policy include, but are not limited to, room service charges, tips in excess of 15% of the meal cost, and any otherwise allowable expense where no receipt is provided as documentation by the employee.

In addition, late fees, penalties and/or interest charges on a credit card do not serve a proper public purpose.

As noted in the following table, employees made several unallowable purchases using the Village's credit cards issued to the Fiscal Officer, Chief of Police, and Village Administrator in the total amount of \$4,403 during fiscal year 2018. The disbursements identified in the following table were not within the applicable Village policies outlined above as they were related to travel within 75 miles of the Village, including tips in excess of 15% on meals while traveling, unallowable expenses such as unsupported disbursements and room service charges, as well as late fees, penalties, and interest on the credit card. Disbursements that are not made within the Village's policies do not serve a proper public purpose.

**FINDING NUMBER 2018-011
 (Continued)**

Employee						Check Signer (Two per Transaction)									
Title	Number of Transactions	Less than 75-mile radius	Nonallowable expense	Interest / Late Fees	Total										
						Kelly Niese, Former Fiscal Officer	Joy Cooper, Interim Fiscal Officer	Courney Blumensaadt, Fiscal Officer	Bernard Mack McCann, Former Mayor	Jessica Dress, Mayor	Kelly Faths, Council Member	Bernard Michael McCann, Council Member	Jeffery Koehler, Council Member	Total	
Courtney Blumensaadt Fiscal Officer	9	\$ 151		\$ 196	\$ 347			\$ 290	\$ 54	\$ 10	\$ 28	\$ 47	\$ 265	\$ 694	
Glenn Basting Former Village Administrator	2		\$ 189		189			58			58	131	131	378	
Karen Goaziou Mayors Court Clerk	2		79		79	\$ 54		25				54	25	158	
Kelly Niese Former Fiscal Officer	33	643	443	574	1,660	650	\$ 349	577			986	231	527	3,320	
Paul Steven Riddle Chief of Police	18	315	1,813		2,128	1,390		131			73	1,549	1,113	4,256	
Total Dollars					\$ 4,403	\$ 2,094	\$ 349	\$ 1,081	\$ 54	\$ 10	\$ 1,145	\$ 2,012	\$ 2,061	\$ 8,806	
Total Transactions	64				64	37	1	16	2	1	13	25	33	128	

**FINDING NUMBER 2018-011
(Continued)**

In accordance with the preceding facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the employees named above (identified in the corresponding "Employee" rows in the table above), in the cumulative amount of \$4,403, and in favor of the Village of Put-in-Bay general (\$4,005), mayor's court computer (\$16), water operating (\$209) and sewer operating (\$173) funds.

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

Fiscal Officers, Council Members, and Mayors authorized disbursements resulting in the improper payments. Fiscal Officers, Council Members, Mayors, (each of which is identified in the corresponding "Check Signer" rows in the table above), are jointly and severally liable in the amount of \$4,403 and in favor of the Village of Put-in-Bay general (\$4,005), mayor's court computer (\$16), water operating (\$209) and sewer operating (\$173) funds to the extent that recovery is not obtained from the employee.

These matters occurred due to deficiencies in the implementation of the Village's policies and procedure manual and deficiencies in the review of credit card and travel disbursements. The Village should develop policies and procedures to ensure credit card disbursements are made in accordance with the Village's policies and procedures.

Karen Goaziou reimbursed the Village through personal check on July 8, 2020 (\$79).

Officials' Response:

The Village recognizes the prior audit findings, some of which have occurred under former Village employees and has implemented new internal controls, and policies and procedures to serve as corrective action.



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, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	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.	Not corrected and reissued as finding 2018-004 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over dock receipts. The Village has implemented new internal controls and policies and procedures to serve as corrective action.
2017-002	Codified Ordinances of Put-in-Bay, Ohio Chapter 1042.12(a) and significant deficiency over utility interest and penalties initially reported as Finding 2016-006.	Not corrected and reissued as part of the management letter.	This matter is being repeated in the management letter due to the determination that the deficiency has no financial statement impact. The Village has implemented new internal controls and policies and procedures to serve as corrective action.
2017-003	Material weakness for errors in financial reporting initially reported as Finding 2013-001.	Not corrected and reissued as finding 2018-003 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. The Village has implemented new internal controls and policies and procedures to serve as corrective action.
2017-004	Ohio Rev. Code § 5705.10(D) and material weakness for allocating revenues to improper funds initially reported as Finding 2016-002.	Partially corrected and reissued as finding 2018-006 in this report.	This matter is being repeated due to deficiencies in the Villages internal controls over financial statement monitoring. The Village has implemented new internal controls and policies and procedures to serve as corrective action.
2017-005	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Fully corrected.	

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF PUT IN BAY

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 28, 2020**