

***PUT IN BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Put-In-Bay Township Port Authority
1494 Langram Road
Put-In-Bay, Ohio 43456

We have reviewed the *Report of Independent Accountants* of Put-In-Bay Township Port Authority, Ottawa County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Put-In-Bay Township Port Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 11, 2010

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**PUT IN BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2009**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Put-in-Bay Township Port Authority
Ottawa County
1494 Langram Road
Put-in-Bay, Ohio 43456

To the Board of Trustees:

We have audited the accompanying financial statements of the Put-in-Bay Township Port Authority, Ottawa County (the Authority), as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2009. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to reformat its statements. Since the Authority does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2009, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Authority, as of December 31, 2009, and its cash receipts and disbursements and changes in fund cash balances for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Authority to include Management's Discussion and Analysis for the year ended December 31, 2009. The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

July 22, 2010

**PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY, OHIO
STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2009**

	General Fund
Cash Receipts:	
Federal grant	\$ 387,924
Fees	84,373
Property taxes	1,368
Mooring buoy	40,000
State and local grants	127,562
Rental income	38,700
Miscellaneous	3,450
Total Cash Receipts	683,377
Cash Disbursements:	
General Government	127,520
Port development	34,231
Capital Outlay	470,289
Debt Service:	
Principal retirement	30,000
Total Cash Disbursements	662,040
Cash Receipts Over/(Under) Cash Disbursements	21,337
Fund Balance, January 1, 2009	27,353
Fund Balance, December 31, 2009	\$ 48,690

See accompanying Notes to the Financial Statements.

**PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Put-in-Bay Township Port Authority, Ottawa County (The Authority) is a body politic and corporate established by the Put-in-Bay Township Trustees pursuant to Chapter 4582 of the Ohio Revised Code to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by the Board, whose members are appointed by the Township Trustees. All appointments are for a period of four years. The Authority is responsible for the safe and efficient operation and maintenance of the airport.

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

Joint Venture:

In August of 2003, the Authority entered into a joint venture agreement with MBD Holding, LLC (MBD) to complete the rehabilitation of a ferry facility at Middle Bass Island. The total estimated cost of the project is approximately \$1,750,000. The Authority's sole responsibility in this joint venture is to complete and submit applications for federal rehabilitation grants totaling approximately \$1,250,000. MBD Holding is responsible for funding the additional rehabilitation costs totaling approximately \$500,000.

The ferry facility is owned 51% by the Authority and 49% by MBD. MBD will be responsible for all costs of maintaining and operating the ferry facility and is entitled to retain all revenue collected from the operations. MBD is required to pay a grant administrative fee to the Authority equal to 1.5% of the grant amounts awarded and an annual administrative fee of \$5,000 in years one through five and \$6,500 in years six through 20. MBD has the authority to negotiate the sale of the ferry facility and the Authority has the right of first refusal.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. The budgetary footnote presents expenditures when the commitment is incurred (i.e. encumbrance is approved).

The statements include adequate disclosure of material matters as prescribed or permitted by the Auditor of State.

D. FUND ACCOUNTING

The Authority maintains its accounting records in accordance with the principles of "Fund" accounting. 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, an accounting entity which stands separate from the activities reported in other funds. All transactions are accounted for in a single fund, the General Fund. The General Fund is used for all financial resources except those required by law or contract to be restricted.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund 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 Board of Trustees must annually approve appropriation measures and subsequent amendments. If no taxes are levied, the County Budget Commission need not approve the annual appropriation measure. Appropriations lapse at year end.

Estimated Resources – Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. If no taxes are levied, the County Budget Commission need not approve estimated resources.

Encumbrances – The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2009 budgetary activities appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

H. PROPERTY TAXES

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board of Directors. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State. Payments are due to Ottawa County by December 31. If the property owner elects to make a semiannual payment, 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 Township. Tangible personal property taxes are being phased out through 2009.

The Authority's property tax levy was defeated in 2009. The property taxes in its financial report are delinquent taxes from prior years which were paid in 2009 and remitted by the county to the Authority.

In the May 2010 elections, the property tax renewal levy was passed. The Authority expects to receive property taxes from this levy in 2011.

**PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009**

2. CASH

The carrying amount of cash at December 31 was as follows:

	2009
Demand Deposits	\$ 48,690
Total	\$ 48,690

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Company, (2) collateralized by securities specifically pledged by the financial institution to the Authority or (3) collateralized by the financial institution’s public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2009 follows:

2009 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 683,377	\$ 683,377

2009 Budgeted vs Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 927,000	\$ 662,040	\$ 264,960

4. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and liability
- Errors and omissions

5. PENSION AND RETIREMENT PLAN

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

Contribution rates are also prescribed by the Ohio Revised Code. The Authority contributed an amount equal to 14% of participants’ gross salaries. In 2009, OPERS member employees contributed 10% while the Authority contributed 14%.

The Authority’s three employees were members of OPERS until May 2009. All employees were laid off effective end of May 31, 2009. The Authority has paid all contributions required through May 31, 2009.

**PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009**

6. LONG-TERM DEBT

The Authority is obligated to make payments to Ottawa County, Ohio for various purpose bonds issued by Ottawa County. The bonds were issued in 2003 and have various maturity dates ranging from six months to 13 years. The bonds bear interest at various rates ranging from 1.75% to 5%. The bonds are collateralized by substantially all revenues the Authority collects except for federal funds.

The following is a summary of the notes and bonds payable activity for the year ended December 31, 2009:

Notes and Bonds Payable at December 31, 2008	\$ 375,000
2009 Principal payments	<u>(30,000)</u>
Notes and Bonds Payable at December 31, 2009	<u>\$ 345,000</u>

The Authority paid \$15,000 of the required \$45,000 bond payment on the bond payable during the year ended December 31, 2008. The amount in arrears totaling \$30,000 was paid in 2009. The 2009 notes and bonds payables in the amount of \$57,525 were paid in 2010.

The amortization schedule, including interest, for the term of the loan agreement is as follows:

Year	Principal	Interest
2010	\$ 90,000	\$ 23,925
2011	50,000	10,050
2012	50,000	8,550
2013	50,000	6,925
2014	50,000	5,250
2015	55,000	2,750
Total bonds payable	\$ 345,000	\$ 57,450

7. CONTINGENCIES

Grants

The Authority receives financial assistance from various governmental agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and contracts, and are subject to audit by the grantor and contracting agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2009.

Claims or lawsuits

Management believes there are no pending claims or lawsuits.

**PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009**

8. SUBSEQUENT EVENTS

In 2010, the Port Authority entered into an agreement with the Put-in-Bay Township Board of Trustees for a \$107,925 loan. The purpose of the loan is to pay the Authority's note to Ottawa County for the years 2008 and 2009 annual payments and its Police Contract obligation with the Village of Put-in-Bay for 2008 and 2009. The loan will be paid from funds received from future tax levies of the Port Authority and other operating income. Per agreement, the note will be repaid in full or in part at any time without premium or penalty.

In the May 2010 elections, the property tax renewal levy was passed. The Port Authority expects to receive property taxes from this levy in 2011.

9. NONCOMPLIANCE

Contrary to Ohio Revised Code section 5705.28(B)(2)(c), the Authority did not prepare a certificate of estimated resources and had appropriations exceed estimated resources.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Put-in-Bay Township Port Authority
Ottawa County
1494 Langram Road
Put-in-Bay, Ohio 43456

To the Board of Trustees:

We have audited the financial statements of Put-in-Bay Port Authority Port Authority, Ottawa County, Ohio (the Port Authority) as of and for the year ended December 31, 2009, and have issued our report thereon dated July 22, 2010, wherein we noted the Port Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Port Authority's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2009-PIB-001.

The Port Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

We also noted certain matters that we have reported to management of the Port Authority in a separate letter dated July 22, 2010.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Port Authority. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

July 22, 2010

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

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

FINDING NUMBER 2009-PIB-01: Noncompliance

The Authority did not have a tax levy for the calendar year 2009. Ohio Rev. Code §5705.28(B)(2) requires entities to follow §5705.36, .38, .40, .41, .43, .44, and .45. However, documents prepared in accordance with these sections need not be filed with the county auditor or county budget commission. Also, while Ohio Rev. Code §5705.39 does not apply, 5705.28(B)(2)(c) prohibits appropriations from exceeding estimated revenue (i.e. receipts + beginning unencumbered cash).

Ohio Rev. Code §5705.28(B)(2) requires that the taxing authority of a taxing unit that does not levy a tax must still follow the budgetary requirements. Ohio Rev. Code Section 5705.36 states that it must prepare a certificate of estimated resources to certify the total amount of all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Authority passed an appropriation resolution but did not prepare a certificate of estimated resources in violation of Ohio Rev. Code Sections 5705.36 and 5705.28(B)(2)(c). We recommend that the Port Authority comply with all Ohio Rev. Code budgetary requirements.

Management Response:

The previous director was supposed to complete the required certificate but did not. New management will complete all budgetary documents required in a timely fashion.

**PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
December 31, 2009**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-01	Lack of segregation of duties	Yes	Person preparing checks does not sign checks; at least two trustees must sign checks instead of only one in the past; check signer will closely review vouchers supporting disbursements

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Mary Taylor, CPA
Auditor of State

PUT-IN-BAY TOWNSHIP PORT AUTHORITY

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2010**