



Dave Yost • Auditor of State

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

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Dave Yost • Auditor of State

Put-in-Bay Township
Ottawa County
P.O. Box 127
Put-in-Bay, Ohio 43456-0127

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 12, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Put-in-Bay Township
Ottawa County
P.O. Box 127
Put-in-Bay, Ohio 43456-0127

To the Board of Trustees:

We have audited the accompanying financial statements of Put-in-Bay Township, Ottawa County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Put-in-Bay Township, Ottawa County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 3, during 2011 Put-in-Bay Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

December 12, 2012

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts					
Property and Other Local Taxes	\$482,473	\$700,528		\$51,230	\$1,234,231
Charges for Services	1,410				1,410
Licenses, Permits and Fees	21,740	3,640			25,380
Fines and Forfeitures	1,149				1,149
Intergovernmental	180,334	146,788		2,004	329,126
Earnings on Investments	5,522	2,912			8,434
Miscellaneous		6,695			6,695
<i>Total Cash Receipts</i>	<u>692,628</u>	<u>860,563</u>		<u>53,234</u>	<u>1,606,425</u>
Cash Disbursements					
Current:					
General Government	401,296	13,990			415,286
Public Safety	215,774	277,626			493,400
Public Works	7,425	369,910			377,335
Health		9,773			9,773
Human Services		300			300
Other		2,742		45,081	47,823
Capital Outlay		42,514			42,514
<i>Total Cash Disbursements</i>	<u>624,495</u>	<u>716,855</u>		<u>45,081</u>	<u>1,386,431</u>
<i>Excess of Receipts Over Disbursements</i>	<u>68,133</u>	<u>143,708</u>		<u>8,153</u>	<u>219,994</u>
Other Financing Receipts (Disbursements)					
Advances In	29,500				29,500
Advances Out		(29,500)			(29,500)
Other Financing Sources	20,597				20,597
<i>Total Other Financing Receipts (Disbursements)</i>	<u>50,097</u>	<u>(29,500)</u>			<u>20,597</u>
<i>Net Change in Fund Cash Balances</i>	118,230	114,208		8,153	240,591
<i>Fund Cash Balances, January 1</i>	<u>299,836</u>	<u>616,439</u>	<u>\$4,555</u>	<u>13,787</u>	<u>934,617</u>
Fund Cash Balances, December 31					
Restricted		705,307	4,555		709,862
Committed		25,340			25,340
Unassigned	418,066				418,066
<i>Fund Cash Balances, December 31</i>	<u>\$418,066</u>	<u>\$730,647</u>	<u>\$4,555</u>	<u>\$21,940</u>	<u>\$1,175,208</u>

The notes to the financial statements are an integral part of this statement.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Property and Other Local Taxes	\$467,923	\$539,242		\$48,245	\$1,055,410
Charges for Services	660				660
Licenses, Permits, and Fees	14,611	4,390			19,001
Fines and Forfeitures	1,118				1,118
Intergovernmental	117,649	177,701	\$26,653	5,065	327,068
Earnings on Investments	4,425	453			4,878
Miscellaneous	33,334	30,230			63,564
<i>Total Cash Receipts</i>	<u>639,720</u>	<u>752,016</u>	<u>26,653</u>	<u>53,310</u>	<u>1,471,699</u>
Cash Disbursements:					
Current:					
General Government	432,662	39,359			472,021
Public Safety	216,579	253,218			469,797
Public Works	15,208	465,431			480,639
Health		890			890
Other		900		43,959	44,859
Capital Outlay		32,488	33,090		65,578
Debt Service:					
Redemption of Principal	50,000	2,023			52,023
Interest and Other Fiscal Charges	642				642
<i>Total Cash Disbursements</i>	<u>715,091</u>	<u>794,309</u>	<u>33,090</u>	<u>43,959</u>	<u>1,586,449</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(75,371)</u>	<u>(42,293)</u>	<u>(6,437)</u>	<u>9,351</u>	<u>(114,750)</u>
Other Financing Receipts / (Disbursements):					
Other Financing Sources	24,662				24,662
Other Financing Uses	(862)				(862)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>23,800</u>				<u>23,800</u>
<i>Net Change in Fund Cash Balances</i>	<u>(51,571)</u>	<u>(42,293)</u>	<u>(6,437)</u>	<u>9,351</u>	<u>(90,950)</u>
<i>Fund Cash Balances, January 1, restated</i>	<u>351,407</u>	<u>658,732</u>	<u>10,992</u>	<u>4,436</u>	<u>1,025,567</u>
<i>Fund Cash Balances, December 31</i>	<u>\$299,836</u>	<u>\$616,439</u>	<u>\$4,555</u>	<u>\$13,787</u>	<u>\$934,617</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$52</u>	<u>\$400</u>			<u>\$452</u>

The notes to the financial statements are an integral part of this statement.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Put-in-Bay Township, Ottawa County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, refuse disposal, parks and recreation, fire protection and emergency medical services and general government services. The Township contracts with the Village of Put-in-Bay to provide police services.

The Township participates in the Ohio Plan Risk Management public entity risk pool. Note 9 to the financial statements provide additional information for this entity. This organization provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township'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.

Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Emergency Medical Services Fund - This fund receives property tax money to pay for providing emergency medical services.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Project Fund:

Issue II Fund - The Township received a grant from the State of Ohio to place hot mix on various Township roads.

5. Fiduciary Funds (Agency Funds)

Agency funds are purely custodial in nature and are used to hold resources for organizations or other governments. The Township disburses these funds as directed by the organization or other government. The Township's agency funds account for refuse operations and DeRivera Park maintenance and debt reduction levy monies.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 5.

F. Fund Balance

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT OF FUND BALANCE

Beginning in fiscal year 2010 the Township fund used to account for Put-in-Bay Township Port Authority DeRivera Park maintenance levy proceeds previously accounted for as a special revenue fund was reclassified as an agency fund as the Township deemed this classification to be more appropriate based on the fiduciary role of the Township. This change in classification had the following effect on fund balance previously reported for the year ended December 31, 2009:

	Special Revenue	Fiduciary	Total
Fund balance December 31, 2009	\$662,065	\$1,103	\$663,168
Fund reclassification	(3,333)	3,333	
Restated fund balance December 31, 2009	<u>\$658,732</u>	<u>\$4,436</u>	<u>\$663,168</u>

3. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Township 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:

	2011	2010
Demand deposits	\$1,050,518	\$809,019
Other time deposits (savings accounts)	24,531	25,495
Total deposits	1,075,049	834,514
STAR Ohio	100,159	100,103
Total deposits and investments	\$1,175,208	\$934,617

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$182,975	\$742,725	\$559,750
Special Revenue	505,383	860,563	355,180
Total	\$688,358	\$1,603,288	\$914,930

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$746,110	\$626,363	\$119,747
Special Revenue	1,351,406	719,449	631,957
Total	\$2,097,516	\$1,345,812	\$751,704

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,860	\$664,382	\$476,522
Special Revenue	562,328	752,016	189,688
Capital Projects		26,653	26,653
Total	\$750,188	\$1,443,051	\$692,863

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$383,191	\$716,005	(\$332,814)
Special Revenue	752,786	794,709	(41,923)
Capital Projects	28,536	33,090	(4,554)
Total	\$1,164,513	\$1,543,804	(\$379,291)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Recycling Compactor funds by \$332,814 and \$4,554, respectively, for the year ended December 31, 2010. Also contrary to Ohio law, appropriations exceed certified resources in various funds for the years ending December 31, 2011 and 2010.

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

7. RESORT TAX

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

8. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

10. CONTINGENT LIABILITIES

The Township 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 Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor.. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

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

Put-in-Bay Township
Ottawa County
P.O. Box 127
Put-in-Bay, Ohio 43456-0127

To the Board of Trustees:

We have audited the financial statements of Put-in-Bay Township, Ottawa County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 12, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and in 2011 the Township implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-004 described in the accompanying schedule of findings to be a material weakness.

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A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 audits 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 2011-001 through 2011-003 and 2011-005 through 2011-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 12, 2012.

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



Dave Yost
Auditor of State

December 12, 2012

**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code, § 5705.10(D), states in part all revenues derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Fiscal Officer posted rollbacks and gasoline tax monies to the incorrect funds during the year ended December 31, 2011. The following table illustrates the errors in posting by fund:

Fund Type/Fund	2011 Amount Adjusted
General Fund	(\$36,011)
Special Revenue Fund Type:	
Motor Vehicle License Fund	(7,333)
Gas Tax Fund	7,233
Road and Bridge Fund	7,949
Middle Bass Garbage & Waste Disposal Fund	5,324
South Bass Fire District Fund	5,359
Middle Bass Road District Fund	2,060
Cemetery Levy Fund	499
Middle Bass Hall Fund	1,373
North Bass Refuse Disposal Fund	18
Middle Bass Fire District Fund	2,747
Emergency Medical Service Fund	5,105
Doctor's Residence Fund	573
Agency Fund Type:	
Park Levy Fund	218
DeRivera Park Debt Reduction Levy Fund	1,786

The accompanying financial statements and Township accounting records have been adjusted to reflect these changes.

Additionally we noted two instances in which receipts were posted to General and Motor Vehicle License Tax funds in the system for \$3,100 more than the actual receipts that has been recorded as an adjustment to the financial statements and the Township's accounting records

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

**FINDING NUMBER 2011-001
(Continued)**

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board of Trustees, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the Ohio Township Handbook available from the following web address for guidance on the posting of transactions: <http://www.auditor.state.oh.us/services/lgs/publications/LocalGovernmentManualsHandbooks/Ohio%20Township%20Handbook%202012.pdf>

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. **"Then and Now" Certificate** - If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time she is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

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

FINDING NUMBER 2011-02
(Continued)

Forty-four percent of transactions tested were not properly certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the Fiscal Officer certify all purchases to which Ohio Revised Code § 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2011-003

Noncompliance Citation

Ohio Revised Code, § 2921.42(A)(1), prohibits a public official from authorizing, or employing the authority or influence of the public official's office to secure authorization of any public contract in which the public official, or a member of the public official's family has an interest. **Ohio Revised Code, § 2921.42(A)(4)**, prohibits a public official from having an interest in the profits or benefits of a public contract entered into by or for the use of political subdivision or governmental agency or instrumentality in which the public official is connected. **Ohio Revised Code, § 2921.42(C)**, provides exceptions when all criteria specified apply to the contract in which a public official, or member of a public official's family has an interest.

As the owner of Island Tax Service, Fiscal Officer Rick Rothert prepared invoices totaling \$1,500 for reconciliation services provided to the Township and for the sale of small items of office equipment no longer needed for business purposes. Mr. Rothert indicated the services provided by Island Tax Service were performed by an individual that works for him. This individual was later identified as Mr. Rothert's spouse.

A review of these transactions indicated the exceptions specified under Ohio Revised Code § 2921.42(A)(4) were not met. Additionally these transactions were discussed with members of the Board of Trustees, the Trustees indicated they were unaware of the services being provided or the office equipment purchased. Upon further discussion with Mr. Rothert he indicated he was unaware of the prohibitions specified under the above referenced Ohio Revised Code sections. On November 7, 2012, Mr. Rothert repaid the amount of \$1,500 to the Township through a personal check.

The Township should establish formal policies and procedures to identify officials' business and personal relationships that could result in potential conflicts of interest.

Mr. Rothert resigned from the position of Fiscal Officer effective November 30, 2012.

FINDING NUMBER 2011-004

Material Weakness – Recording Grant Activity

In 2010 the Township was the beneficiary of a \$26,653 Ohio Public Work Commission (OPWC) grant sent directly to the vendor by OPWC. The Fiscal Officer did not record memorandum receipt and expenditure activity for these on-behalf payments. Auditor of State Bulletins 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements in a capital project fund when the Township applies for a project and has administrative responsibilities. The accompanying financial statements have been adjusted to properly reflect this activity.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board of Trustees, to identify and correct errors and omissions, as well as establishing the correct funds to present Township grant activity.

FINDING NUMBER 2011-005

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During fiscal year 2010, \$15 was spent on alcohol purchases by South Bass Fire Department officials while attending fire training school and fire department meetings. The purchase of alcohol is not a proper public purpose.

Mark Wilhem, South Bass Fire Chief, reimbursed the Township \$15 on December 11, 2012 through a cash deposit.

FINDING NUMBER 2011-006

Noncompliance Citation

Ohio Revised Code, § 5705.39, states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Fund	Certified Resources	Appropriations	Excess
December 31, 2010:			
General	\$187,860	\$383,191	(\$195,331)
Road and Bridge	96,800	130,899	(34,099)
Middle Bass Fire District	51,070	63,452	(12,382)
Recycling Compactors		1,883	(1,883)
December 31, 2011:			
General	182,975	746,059	(563,084)
Road and Bridge	29,195	270,344	(241,149)
Middle Bass Roads	33,575	60,970	(27,395)
Middle Bass Fire District	30,435	107,907	(77,472)

The General, Road and Bridge, Middle Bass Fire District, Middle Bass Roads, and Recycling Compactors Funds had sufficient revenues to permit the Fiscal Officer to obtain an amended certificate to cover approved appropriations. The failure to limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

The Fiscal Officer should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

FINDING NUMBER 2011-007

Noncompliance Citation

Ohio Revised Code, § 5705.41(B), prohibits a subdivision or taxing unit from making any expenditure of money unless it has been lawfully appropriated.

Our test of budgetary compliance at December 31, 2010 for the following funds indicated expenditures (\$716,005) exceeded appropriations (\$383,191) in the General Fund by \$332,814 and that expenditures (\$6,437) also exceeded appropriations (\$1,883) by \$4,554 in the Recycling Compactor Fund.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Township encountering deficit spending. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Township Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials’ Response:

We did not receive a response from Officials to the findings reported above.

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**PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code § 5705.41(D)(1) – certification of funds.	No	Not corrected. Repeated as Finding 2011-002 in this report.
2009-002	Ohio Revised Code § 5705.41(B) – Expenditures exceeding appropriations.	No	Not corrected. Repeated as Finding 2011-007 in this report.
2009-003	Ohio Revised Code § 5705.10(D) – Distribution of revenue.	No	Not corrected. Repeated as Finding 2011-001 in this report.
2009-004	Ohio Revised Code § 505.24(C) – Township trustee compensation allocation.	No	Partially corrected reducing this to a management letter comment.
2009-005	Ohio Revised Code § 5705.39 – Appropriations exceeding certified resources.	No	Not corrected. Repeated as Finding 2011-006 in this report.
2009-006	State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) and Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” – Reimbursement of alcohol.	No	Not corrected. Repeated as Finding 2011-005 in this report.

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Dave Yost • Auditor of State

PUT IN BAY TOWNSHIP

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
DECEMBER 31, 2012**