

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

SINGLE AUDIT

For the Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

Board Members
Put-In-Bay Township Port Authority
Put-In-Bay, Ohio

We have reviewed the Independent Auditor's Report of the Put-In-Bay Township Port Authority, Ottawa County, prepared by Kraus, Hanck & Co., for the audit period January 1, 2003 through December 31, 2003. 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.

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. The Put-In-Bay Township Port Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 20, 2004

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

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KRAUS, HANCK & CO.

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May 20, 2004

Put-In-Bay Township Port Authority Ottawa County
1494 Langram Road, P. O. Box 278
Put-In-Bay, Ohio 43456

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the **Put-In-Bay Township Port Authority, Ottawa County, Ohio, (Authority)**, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the **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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the **Authority**, prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting standards generally accepted in the United States of America.

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, 2003, and its cash receipts and cash disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KRAUS, HANCK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Put-In-Bay Township Port Authority Ottawa County
May 20, 2004
Page 2

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements of the **Authority**. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the Board of Trustees and management of **Put-In-Bay Township Port Authority**, the Auditor of State of Ohio, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
Statement of Cash Receipts, Cash Disbursements, and
Changes In Cash Balances – All Governmental Fund Types
As of December 31, 2003

	Governmental Fund Types
	General
Cash Receipts:	
Property Taxes	\$ 76,600
Sales Tax	369
Federal Grant	1,738,108
State Grant	112,275
Other Grants	25,000
Mooring Bouy	58,477
Rental Income	16,300
Fees	110,482
Miscellaneous	<u>269</u>
Total Cash Receipts	2,137,880
Cash Disbursements:	
General Government	89,005
Port Development	17,457
Capital Outlay	<u>2,036,664</u>
Total Cash Disbursements	<u>2,143,126</u>
Excess (Deficit) of Cash Receipts Over Cash Disbursements	(5,246)
Other Financing Sources (Uses):	
Loan Proceeds	- 0 -
Loan Payments	(72,312)
Advances – In	- 0 -
Advances – Out	<u>- 0 -</u>
Total Other Financing Sources (Uses)	(<u>72,312</u>)
Net Excess (Deficit) of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses	(<u>77,558</u>)
Fund Cash Balance, January 1, 2003	<u>152,572</u>
Fund Cash Balance, December 31, 2003	<u>75,014</u>

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

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

Notes To The Financial Statements
December 31, 2003

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The **Put-In-Bay Township Port Authority, Ottawa County (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 a 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.

B. Basis of Accounting

These financial statements follow a basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain disbursements are recognized when paid rather than when the liability is incurred.

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

C. 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, and accounting entity which stands separate from the activities reported in other funds. The **Authority** classifies its funds into the following types:

Governmental Funds

General Fund – The General fund is the general operating fund of the **Authority**. It is used to account 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
December 31, 2003

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 Directors must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also 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. The County Budget Commission must also 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 2003 budgetary activities appears in Note 3.

E. 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.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the **Authority**.

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

Notes To The Financial Statements
December 31, 2003

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Tax Calendar

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 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.

Note 2 – EQUITY IN POOLED CASH

The carrying amount of cash at December 31, 2003 was as follows:

Demand deposits	\$ 75,014
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Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Note 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Original Budgeted Receipts</u>	<u>Final Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,482,750	\$ 2,500,000	\$ 2,137,880	\$(362,120)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Original Appropriation Receipts</u>	<u>Final Appropriation Receipts</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,477,550	\$ 2,500,000	\$ 2,215,438	\$(284,562)

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY

Notes To The Financial Statements
December 31, 2003

Note 4 – 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 thirteen 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 **Authority** is obligated for a note payable to the State of Ohio, Ohio Department of Transportation State Infrastructure Bank for acquisition and construction of a year round airport on Middle Bass Island. The note bears interest at 3% and requires semi-annual payments of principal, interest and administrative fees.

The following is a summary of the notes payable activity for the year ended December 31, 2003:

	<u>Bonds Payable</u>	<u>State Infrastructure</u>
Notes and Bonds Payable at December 31, 2002, as previously reported	\$(595,000)	\$(103,713)
Correction to previously reported December 31, 2002 balances	<u>- 0 -</u>	<u>26,098</u>
Notes and Bonds Payable at December 31, 2002, as restated	(595,000)	(77,615)
2003 Principal payments	50,000	22,312
2003 Principal payments paid by Put-In-Bay Township	- 0 -	36,571
2003 Principal payments paid by Ottawa County	595,000	- 0 -
2003 Additional borrowings by Ottawa County	<u>(605,000)</u>	<u>- 0 -</u>
Notes and Bonds Payable at December 31, 2003	<u>(555,000)</u>	<u>(18,732)</u>

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY

Notes To The Financial Statements
December 31, 2003

Note 4 – DEBT (Continued)

The following are principal and interest payments due on the notes and bonds payable as of December 31, 2003:

	Note Payable		to State	
	Bonds		Infrastructure	
	Payable to		Bank	
	<u>Ottawa County</u>		<u>Bank</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 40,000	\$ 17,063	\$ 18,732	\$ 281
2005	40,000	16,262	- 0 -	- 0 -
2006	40,000	15,463	- 0 -	- 0 -
2007	45,000	14,662	- 0 -	- 0 -
2008	45,000	13,650	- 0 -	- 0 -
2009-2013	240,000	49,450	- 0 -	- 0 -
2014-2015	<u>105,000</u>	<u>8,000</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Notes Payable	<u>555,000</u>	<u>134,550</u>	<u>18,732</u>	<u>281</u>

Note 5 – RETIREMENT SYSTEM

The **Authority's** three employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, defined benefit pension, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, PERS members contributed 8.5% of their gross salaries. The **Authority** contributed an amount equal to 13.55% of participants' gross salaries. The contribution rates are determined actuarially. The **Authority's** contributions to PERS for the year ended December 31, 2003 was \$11,658. The **Authority** has paid all contributions required through December 31, 2003.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
Notes To The Financial Statements
December 31, 2003

Note 6 – RISK MANAGEMENT

The **Authority** has obtained commercial insurance for the following risks:

Comprehensive property and liability

Errors and omissions

The **Authority** also provides health insurance to full-time employees through a private carrier.

Note 7 – SIGNIFICANT CONTRACTUAL COMMITMENTS

The **Authority** has several outstanding contracts for professional services. The following remain on these contracts as of December 31, 2003:

<u>Contractor</u>	<u>Remaining Commitment</u>
Reynolds Smith & Hills	\$ 105,751
Geo. Gradel Company	6,000
Norwalk Landscaping Materials, Inc.	13,982

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

Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2003

FEDERAL GRANTOR Pass-through Grantor Program Title	Federal CFDA Number	Project Number	Disbursements
UNITED STATES DEPARTMENT OF TRANSPORTATION Federal Aviation Administration			
Airport Improvement Program	20.106	39-0123-0703	\$ 101,334
		39-0124-0802	95,527
		39-0122-0902	91,089
		39-0124-0902	636,949
		39-0122-1003	180,050
		39-0124-1003	<u>708,115</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>1,813,064</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the **Authority's** federal awards program presented on the cash basis of accounting which is comprehensive basis of accounting other than generally accepted accounting principles.

Note B The federal program requires that the **Authority** contribute non-Federal funds to support the Federally funded program. The **Authority** has complied with the matching requirements. The expenditure of non-Federal matching funds is not included in the Schedule of Expenditures of Federal Awards.

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May 20, 2004

Put-In-Bay Township Port Authority Ottawa County

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Put-In-Bay, Ohio 43456

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

We have audited the financial statements of **Put-In-Bay Township Port Authority, Ottawa County, (Authority)** as of and for the year ended December 31, 2003, and have issued our report thereon dated May 20, 2004. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the **Authority's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Governmental Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-02 2003-03, and 2003-04.

KRAUS, HANCK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Put-In-Bay Township Port Authority Ottawa County
May 20, 2004
Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Authority's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the **Authority's** management and Board of Directors, the Auditor of State of Ohio, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


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May 20, 2004

Put-In-Bay Township Port Authority Ottawa County

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Put-In-Bay, Ohio 43456

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of **Put-In-Bay Township Port Authority, Ottawa County** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. **Put-In-Bay Township Port Authority's** major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of **Put-In-Bay Township Port Authority's** management. Our responsibility is to express an opinion on **Put-In-Bay Township Port Authority's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Put-In-Bay Township Port Authority's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Put-In-Bay Township Port Authority's** compliance with those requirements.

As described in items 2003-02, 2003-03 and 2003-04 in the accompanying Schedule of Findings and Questioned Costs, the **Authority** did not comply with requirements regarding the Airport Improvement Program Handbook that are applicable to its Airport Improvement Program. Compliance with such requirements is necessary, in our opinion, for the **Authority** to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, **Put-In-Bay Township Port Authority**, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

KRAUS, HANCK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Put-In-Bay Township Port Authority Ottawa County
May 20, 2004
Page 2

Internal Control Over Compliance

The management of **Put-In-Bay Township Port Authority** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Put-In-Bay Township Port Authority's** internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the **Authority's** ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2003-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-01 to be a material weakness.

This report is intended solely for the information and use of the **Authority's** management and Board of Directors, the Auditor of State of Ohio, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2003

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? X yes _____ no

Federal Awards

Internal control over major program:

Material weaknesses identified? X yes _____ no

Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
Dollar threshold used to distinguish between type A and type B programs: \$ 300,000	
Auditee qualified as low-risk auditee? _____ yes <u> X </u> no	

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section II – Financial Statement Findings

Material Noncompliance Findings:

See Section III findings 2003-02, 2003-03 and 2003-04.

Material Weaknesses in Internal Control Over Financial Reporting:

None

Section III – Federal Award Findings and Questioned Costs

Finding Number 2003–01

Program CFDA No: 20.106

CFDA Program Title: Airport Improvement

Material Weakness: The **Authority** uses Excel spreadsheets to account for costs charged to federal grants. These Excel spreadsheets are kept separate from the accounting records and were not reconciled to the accounting records regularly. As a result, there are differences between the spreadsheets and related grant reports and the accounting records.

Recommendation: To provide better control over the grants, separate general ledger accounts should be used for the receipts and expenditures of each grant. The grant reports should be reconciled to the accounting records regularly.

Management Response: The **Port Authority** has reviewed the Finding and will take into consideration the recommendation of the Auditor.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section III – Federal Award Findings and Questioned Costs (continued)

Finding Number 2003–02

Program CFDA No: 20.106
CFDA Program Title: Airport Improvement
Federal Award No: 39-1023-0703
39-0122-0902
39-0124-0902
39-0122-1003
39-0124-1003

Criteria: Necessary and reasonable project administrative costs may only be allowed if they are properly supported and substantiated. No administrative costs can be allowed in connection with the accomplishment of a project unless supported by evidence that such costs were actually incurred by the sponsor and were necessary to the accomplishment of the project. Arbitrary or prorated administrative costs are not allowed.

Condition: The following administrative charges were made to the Federal Grants during the current year but are not properly supported or substantiated:

39-0123-0703	\$ 13,500
39-0122-0902	4,500
39-0124-0902	27,927
39-0122-1003	18,000
39-0124-1003	67,500

Questioned Costs: \$131,427

Effect: The administrative costs charged to the Federal Grants have not been adequately supported and properly documented as allowable costs.

Cause: Weakness in Internal Control for tracking Federal Grant Costs.

Recommendation: Properly document the administrative costs charged to the grants. Follow appropriate procedures for charging administrative costs to Federal Grants.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section III – Federal Award Findings and Questioned Costs (continued)

Finding Number 2003–02

Management Response: There are various expenses that occur from the **Port Authority** administering a grant and also the **Port Authority** conducting their own negotiations over years with various owners in the various grants. The **Port Authority** has been successful in over 50 negotiations to be settled in a signed agreement without the need to expend significant funds for legal fees due to court actions. By the **Port Authority** conducting their own negotiations, the Federal Government has been saved tens of thousands of dollars in outside fees of negotiating consultants who are not familiar with the project nor the people who are our neighbors.

These fees that have been charged to the grants are not arbitrary and were necessary to accomplish the projects within each of the grants.

The **Port** accepts the recommendation of the audit to prepare additional information to document the administrative costs that are charged to the grants.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section III – Federal Award Findings and Questioned Costs (continued)

Finding Number 2003–03

Program CFDA No: 20.106
CFDA Program Title: Airport Improvement Program
Federal Award No: 39-0124-0802
39-0124-1003

Criteria: The costs of audits are allowed as either a direct cost or an allocated indirect cost. The percentage of costs charged to Federal assistance programs for a single audit shall not exceed the percentage that Federal funds represent of total funds expended during the fiscal year (or higher actual costs must be documented).

Condition: On April 17, 2003, The **Authority** paid the total cost of the December 31, 2001 audit, \$8,181, of which \$7,362.90 was charged to Federal Grant number 39-0124-0802. On December 31, 2003, The **Authority** paid the total cost of the December 31, 2002 audit, \$8,181, of which \$7,362.90 was charged to Federal Grant number 39-0124-1003. These amounts should have been allocated to all the grants based on the percentage of total funds expended during the fiscal years 2001 and 2002.

Questioned Costs: \$14,726

Effect: Federal Grant numbers 39-0124-0802 and 39-0124-1003 were over-charged and over-reimbursed for the costs of the audits.

Cause: Weakness in Internal Control for tracking Federal Grant Costs.

Recommendation: Reallocate allowed amounts for all grant contracts. May need to pay money back to the FAA for grants that are closed or have been reimbursed for the maximum amount of the agreement. Follow appropriate procedures when charging audit costs to Federal Grants.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section III – Federal Award Findings and Questioned Costs (continued)

Finding Number 2003–03

Management Response: The audits conducted by both the State of Ohio and the Independent Auditor have not been conducted in the appropriate time frame, creating hardships onto the **Port Authority**. The **Port Authority** has worked hard to move the work approved within a grant to completion and closing a grant as soon as possible as is the desire of the Federal Aviation Administration. In doing so, the **Port Authority** has not been able to do as the auditor has suggested with regard to the spreading of funds over various grants. The fact that the audits have been conducted years in arrears by various auditors has not allowed the **Port Authority** to spread the costs as would be normal.

Due to the problems created by the auditors and the fact that not a single audit has been conducted in a timely manner since the **Port Authority** was created in 1991, the **Port Authority** does not agree with the suggestion that the grants were over-charged and over-reimbursed and the **Port Authority** does not agree with the suggestion to pay money back to the FAA for grants that are closed.

The **Port Authority** will accept the recommendation to follow appropriate procedures when charging audits costs to Federal Grants to all open grants in the appropriate year and makes a note and request that the Auditors follow appropriate FAA requirements to conduct their audits in a timely manner as to not create a hardship onto the **Port Authority** by creating circumstances that prevents the **Port Authority** from following this procedure.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section III – Federal Award Findings and Questioned Costs (continued)

Finding Number 2003–04

Program CFDA No: 20.106
CFDA Program Title: Airport Improvement Program
Federal Award No: 39-0124-0902
39-0124-1003

Criteria: Allowable project costs must be necessary, reasonable, incurred, and supported by satisfactory evidence.

Condition: A portion of voucher number 4730 from Seeley, Savage, & Ebert was charged to each of Federal Grant numbers 39-0124-0902 and 39-0124-1003. The amount allocated to Federal Grant number 39-0124-0902 was \$972.90. This amount was charged to the grant on November 13, 2002 and was reimbursed on December 4, 2003. The same amount was charged to the grant again on November 24, 2003 and was reimbursed again in February 2004. The amount allocated to Federal Grant number 39-0124-1003 was \$1,210.50. This amount was charged to the grant on November 13, 2002 and reimbursed on December 4, 2003. The same amount was charged to the grant again on November 24, 2003 and was reimbursed again in February 2004.

Questioned Costs: \$2,183

Effect: The grants are over-charged and over-reimbursed because the expenses were double counted.

Cause: Weakness in Internal Control for tracking Federal Grant Costs.

Recommendation: Need to pay the extra \$2,183.40 back to the FAA. Develop a system to ensure that vouchers are not accounted for twice.

Management Response: The **Port Authority** has found the referenced error from a single Voucher #4730 and due to the fact that both grants are currently open, the **Port Authority** has made entries to credit each grant and pay back the money from the single invoice that was requested twice.

The **Port Authority** has a system in place, but will refine the system.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Status of Prior Audit's Citations and Recommendations
December 31, 2003

<u>Citations</u>	<u>Status</u>	<u>Explanation If Not Fully Implemented</u>
None		

<u>Recommendations</u>	<u>Status</u>	<u>Explanation If Not Fully Implemented</u>
None		

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PUT-IN-BAY TOWNSHIP PORT AUTHORITY

OTTAWA TOWNSHIP

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
AUGUST 5, 2004**