

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

SINGLE AUDIT

For the Year Ended December 31, 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Put-In-Bay Township Port Authority

We have reviewed the Independent Auditor's Report of the Put-In-Bay Township Port Authority, Ottawa County, prepared by Kraus, Hanck & Co. CPAs, for the audit period January 1, 2002 through December 31, 2002. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 17, 2003

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

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KRAUS, HANCK & CO.
CERTIFIED PUBLIC ACCOUNTANTS
165 EAST WATER STREET
SANDUSKY, OHIO 44870-2563
TELEPHONE (419) 626-2152
TELECOPIER (419) 626-5866



RUSSELL F. KRAUS, JR., CPA
DONALD P. HANCK, CPA

THOMAS J. GOTTLIEB, CPA
JONATHAN O. PENWELL, CPA

October 23, 2003

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, 2002, 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, 2002, 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 October 23, 2003 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.

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.


Certified Public Accountants

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
OTTAWA COUNTY
 Combined Statement of Cash Receipts, Cash Disbursements, and
 Changes In Cash Balances – All Governmental Fund Types
 As of December 31, 2002

	Governmental Fund Types General
Cash Receipts:	
Property Taxes	\$ 77,207
Sales Tax	392
Federal Grant	977,031
State Grant	72,725
Other Grants	- 0 -
Mooring Bouy	36,623
Rental Income	28,623
Fees	137,923
Miscellaneous	<u>1,616</u>
Total Cash Receipts	1,332,140
Cash Disbursements:	
General Government	93,480
Port Development	9,160
Capital Outlay	<u>769,237</u>
Total Cash Disbursements	<u>871,877</u>
Excess (Deficit) of Cash Receipts Over Cash Disbursements	460,263
Other Financing Sources (Uses):	
Loan Proceeds	1,240,000
Loan Payments	(1,557,170)
Advances – In	- 0 -
Advances – Out	<u>- 0 -</u>
Total Other Financing Sources (Uses)	(<u>317,170</u>)
Net Excess (Deficit) of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses	143,093
Fund Cash Balance, January 1, 2002	<u>9,479</u>
Fund Cash Balance, December 31, 2002	<u><u>152,572</u></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, 2002

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 four member Board, 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.

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

Notes To The Financial Statements

December 31, 2002

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Special Revenue Fund – Special Revenue funds account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. The **Authority** had the following significant Special Revenue Fund:

Airport Designated Fund – This fund receives rental income from renters living in the federally purchased homes. The funds are used for airport improvements.

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 2002 budgetary activities appears in Note 3.

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

Notes To The Financial Statements

December 31, 2002

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**.

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, 2002 was as follows:

Demand deposits	\$152,572
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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.

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

Notes To The Financial Statements
December 31, 2002

Note 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,000,000	\$ 2,655,046	\$(344,954)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,000,000	\$ 2,511,953	\$(488,047)

Note 4 – DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ottawa County	\$ 595,000	1.40 %
State Infrastructure Bank	103,713	3.00 %

The **Authority** is obligated for a bond anticipation note payable to Ottawa County. In 1991 Ottawa County issued a bond note on behalf of the **Authority** to aid the **Authority** in the purchase of the Airport. In the subsequent years the **Authority** needed help funding federal projects.

Annually, a new note is issued to pay the old note plus interest. The note proceeds, after paying off the old note, are placed in an **Authority** construction fund at the County and the **Authority** can request draws from this fund. Any funds left in this fund when the note is due is used to pay off the old note. Periodically, the **Authority** makes payments to reduce the size of the debt. The note is collateralized by substantially all revenues the **Authority** collects except for federal funds.

In 2002, the County issued a \$595,000 note to the **Authority**, with a 1.40 percent interest rate. As of December 31, 2002, the **Authority** had received \$0- of this note from the County.

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

Notes To The Financial Statements

December 31, 2002

Note 4 – DEBT (Continued)

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 terms of the loan are for approximately 4.5 years. There will be no interest assessed on the loan for the first twelve (12) months after the first draw of loan proceeds. For the next twelve (12) months (beginning on the thirteenth (13) month after the first draw), interest will begin to accrue to the borrower. This amount, including the State administrative fee, is estimated to be approximately \$29,913, and will be accrued to the principal payment of the loan, which will be amortized over the remaining life of the loan. On June 1, 2001 and every semi-annual period thereafter a payment of approximately \$24,591 will be made by the **Port Authority** from local sources.

Thereafter, principal, interest and fee payments will be due on a semi-annual basis. The amount of the payments made will be based upon the amount received from the Federal, State and Local contributions.

The following interest rates will be assessed during the designated time period:

<u>Months</u>	<u>Rate</u>
6/1/99 – 5/31/00	0 %
6/1/00 – 5/31/01	Accrued at 3.00 %
6/1/01 – 11/30/03	3.00 %

Note 5 – RETIREMENT SYSTEM

The **Authority's** full-time 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, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, PERS members contributed 8.5% of their gross salaries. The **Authority** contributed an amount equal to 13.55% of participants' gross salaries. The **Authority** has paid all contributions required through December 31, 2002.

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

Notes To The Financial Statements
December 31, 2002

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.

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

Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2002

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	39-0124-0802	\$ 358,575
		39-0122-0902	37,568
		39-0124-0902	<u>302,183</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>698,326</u></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.

KRAUS, HANCK & CO.
CERTIFIED PUBLIC ACCOUNTANTS
165 EAST WATER STREET
SANDUSKY, OHIO 44870-2583
TELEPHONE (419) 626-2152
TELECOPIER (419) 626-6896



RUSSELL F. KRAUS, JR., CPA
DONALD P. HANCK, CPA
THOMAS J. GOTTLIEB, CPA
JONATHAN O. PENWELL, CPA

October 23, 2003

Put-In-Bay Township Port Authority Ottawa County
1494 Langram Road, P. O. Box 278
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, 2002, and have issued our report thereon dated October 23, 2003. 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 no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

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 the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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

KRAUS, HANCK & CO.

CERTIFIED PUBLIC ACCOUNTANTS

165 EAST WATER STREET
SANDUSKY, OHIO 44870-2563
TELEPHONE (419) 626-2152
TELECOPIER (419) 626-5896



RUSSELL F. KRAUS, JR., CPA
DONALD P. HANCK, CPA

THOMAS J. GOTTLIEB, CPA
JONATHAN O. PENWELL, CPA

October 23, 2003

Put-In-Bay Township Port Authority
Ottawa County
1494 Langram Road
P. O. Box 278
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, 2002. **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.

In our opinion, **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, 2002.

KRAUS, HANCK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Put-In-Bay Township Port Authority
Ottawa County
October 23, 2003
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 internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information 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, 2002

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? _____ yes X no

Federal Awards

Internal control over major program:

Material weaknesses identified? _____ yes X 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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X 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, 2002

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

PUT-IN-BAY TOWNSHIP PORT AUTHORITY
Status of Prior Audit's Citations and Recommendations
December 31, 2002

<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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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 6, 2004**