



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA
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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 26, 2010

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Mary Taylor, CPA

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, (the Township) as of and for the years ended December 31, 2009 and 2008. 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 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*. Those standards require that we plan and perform the audits 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audits provide 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, 2009 and 2008 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, 2009 and 2008, 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 of Put-in-Bay Township, Ottawa County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010, 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 audits.



Mary Taylor, CPA
Auditor of State

October 26, 2010

PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Fiduciary Fund	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>		
Cash Receipts:					
Property and Other Local Taxes	\$445,289	\$513,299			\$958,588
Licenses, Permits, and Fees	19,308	2,475			21,783
Fines and Forfeitures	2,568				2,568
Intergovernmental	172,398	146,177			318,575
Earnings on Investments	657	288			945
Miscellaneous		16,276			16,276
Total Cash Receipts	<u>640,220</u>	<u>678,515</u>			<u>1,318,735</u>
Cash Disbursements:					
Current:					
General Government	309,673	32,815			342,488
Public Safety	268,697	293,797			562,494
Public Works	16,256	446,011			462,267
Health		526			526
Conservation - Recreation		8,773			8,773
Other		167			167
Capital Outlay		31,168	\$40,961		72,129
Debt Service:					
Redemption of Principal	56,629				56,629
Interest and Other Fiscal Charges	2,371				2,371
Total Cash Disbursements	<u>653,626</u>	<u>813,257</u>	<u>40,961</u>		<u>1,507,844</u>
Total Receipts Under Disbursements	<u>(13,406)</u>	<u>(134,742)</u>	<u>(40,961)</u>		<u>(189,109)</u>
Other Financing Receipts / (Disbursements):					
Other Debt Proceeds			50,000		50,000
Advances-In		1,500			1,500
Advances-Out	(1,500)				(1,500)
Other Financing Sources	23,879				23,879
Total Other Financing Receipts / (Disbursements)	<u>22,379</u>	<u>1,500</u>	<u>50,000</u>		<u>73,879</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	8,973	(133,242)	9,039		(115,230)
Fund Cash Balances, January 1	<u>342,434</u>	<u>795,307</u>	<u>1,883</u>	<u>\$1,103</u>	<u>1,140,727</u>
Fund Cash Balances, December 31	<u>\$351,407</u>	<u>\$662,065</u>	<u>\$10,922</u>	<u>\$1,103</u>	<u>\$1,025,497</u>

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

PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Property and Other Local Taxes	\$385,850	\$666,970			\$1,052,820
Licenses, Permits, and Fees	11,557	3,250			14,807
Fines and Forfeitures	1,213				1,213
Intergovernmental	118,909	147,666			266,575
Earnings on Investments	2,400	881			3,281
Miscellaneous		23,079			23,079
Total Cash Receipts	<u>519,929</u>	<u>841,846</u>			<u>1,361,775</u>
Cash Disbursements:					
Current:					
General Government	317,022	39,876			356,898
Public Safety	231,038	243,235			474,273
Public Works	104,946	353,479			458,425
Health		3,685			3,685
Conservation - Recreation		20,233			20,233
Other		1,394			1,394
Capital Outlay		55,136			55,136
Debt Service:					
Redemption of Principal		54,351			54,351
Interest and Other Fiscal Charges		4,649			4,649
Total Cash Disbursements	<u>653,006</u>	<u>776,038</u>			<u>1,429,044</u>
Total Receipts Over/(Under) Disbursements	<u>(133,077)</u>	<u>65,808</u>			<u>(67,269)</u>
Other Financing Receipts / (Disbursements):					
Advances-In		2,000			2,000
Advances-Out	(2,000)				(2,000)
Other Financing Sources	37,656				37,656
Total Other Financing Receipts / (Disbursements)	<u>35,656</u>	<u>2,000</u>			<u>37,656</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(97,421)	67,808			(29,613)
Fund Cash Balances, January 1	<u>439,855</u>	<u>727,499</u>	<u>\$1,883</u>	<u>\$1,103</u>	<u>1,170,340</u>
Fund Cash Balances, December 31	<u>\$342,434</u>	<u>\$795,307</u>	<u>\$1,883</u>	<u>\$1,103</u>	<u>\$1,140,727</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, 2009 AND 2008**

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, (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, doctor's services, fire protection and emergency medical services and general government services. The Township contracts with the Village of Put-in-Bay to provide police protection services.

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Ohio Government Risk Management Plan (the "Plan"). 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

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 shares price, which is the price the investment could be sold for on December 31.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

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.

South Bass Fire District Fund - This fund receives property tax money for providing fire services to South Bass Island.

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

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. Currently the Township has only one such fund that accounts for monies to be used for the purchase of trash compactors.

4. Fiduciary Fund

The Fiduciary fund is an agency fund. Currently the Township has only one fund which is purely custodial in nature and is used to hold resources for other governments. The Township disburses the funds associated with refuse operations as directed by the Ohio Environmental Protection Agency.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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. Appropriations lapse at year end.

2. 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.

3. Encumbrances

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

The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

G. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. 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:

	2009	2008
Demand deposits	\$944,669	\$1,042,112
Savings accounts	18,721	18,695
Total deposits	<u>963,390</u>	<u>1,060,807</u>
STAR Ohio	<u>62,107</u>	<u>79,920</u>
Total deposits and investments	<u><u>\$1,025,497</u></u>	<u><u>\$1,140,727</u></u>

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$315,597	\$664,099	\$348,502
Special Revenue	569,648	678,515	108,867
Capital Projects		50,000	50,000
Total	<u><u>\$885,245</u></u>	<u><u>\$1,392,614</u></u>	<u><u>\$507,369</u></u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$569,141	\$653,626	(\$84,485)
Special Revenue	1,307,405	813,257	494,148
Capital Projects	51,883	40,961	10,922
Total	<u><u>\$1,928,429</u></u>	<u><u>\$1,507,844</u></u>	<u><u>\$420,585</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,860	\$557,585	\$369,725
Special Revenue	569,648	841,846	272,198
Total	\$757,508	\$1,399,431	\$641,923

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$702,909	\$653,006	\$49,903
Special Revenue	1,219,372	776,038	443,334
Capital Projects	1,883	1,883	1,883
Total	\$1,924,164	\$1,429,044	\$495,120

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$84,485 for the year ended December 31, 2009. Also contrary to Ohio law, appropriations exceeded certified resources in the South Bass Park Levy fund for the year ended December 31, 2008 and in various funds for the year ended December 31, 2009.

4. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. DEBT

In 2009 the Township obtained a commercial loan from First National Bank for the purchase of three trash compactors. The loan has an interest rate of 3.65 percent and matures on September 22, 2010.

6. 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.

7. 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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

8. RISK MANAGEMENT

Risk Pool Membership

The Township belongs 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 is legally separate from its member governments.

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 retain 15% 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 over 650 members as of December 31, 2008. The Township participates in this coverage.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT – (CONTINUED)

In August, 2007, OGRMP 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 40 members as of December 31, 2008. 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.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members’ Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

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Mary Taylor, CPA
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 (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 26, 2010 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate 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 audits, 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2009-003 and 2009-004 described in the accompanying schedule of findings to be material weaknesses.

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 2009-001 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 26, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.



Mary Taylor, CPA
Auditor of State

October 26, 2010

PUT-IN-BAY TOWNSHIP
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

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.

Thirty-three 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.

**FINDING NUMBER 2009-001
(Continued)**

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.

Officials' Response:

We are aware of this requirement will review our procedures in order to eliminate the noncompliance.

FINDING NUMBER 2009-002

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, 2009 indicated expenditures (\$653,626) exceeded appropriations (\$569,141) in the General Fund by \$84,485.

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.

We also reported this matter in the management letter of the audit of the 2007 and 2006 financial statements.

Officials' Response:

We will monitor our actual versus estimated activity throughout the year and pass amendments when necessary.

FINDING NUMBER 2009-003

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10(D) states 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.

**FINDING NUMBER 2009-003
 (Continued)**

The Fiscal Officer posted manufactured homes, rollbacks, public utility reimbursements, personal property tax elimination, gas tax, and motor vehicle license monies to the wrong funds. The following table shows the amounts in error and the amounts we adjusted to correct the fund balances:

<u>Fund Type/Fund</u>	<u>2009 Amount Adjusted</u>	<u>2008 Amount Adjusted</u>
General Fund	(\$27,023)	(\$28,099)
Special Revenue Fund Type:		
Motor Vehicle License Fund		(6,624)
Gas Tax Fund		6,624
Road and Bridge Fund	8,303	7,537
Middle Bass Garbage & Waste Disposal Fund	1,704	2,993
South Bass Fire District Fund	1,836	5,161
Middle Bass Road District Fund	2,161	2,009
South Bass Park Levy Fund	588	218
Cemetery Levy Fund	1,211	497
Middle Bass Hall Fund	1,387	1,339
North Bass Refuse Disposal Fund	23	20
Middle Bass Fire District Fund	2,561	2,679
Emergency Medical Service Fund	6,104	5,077
Doctor's Residence Fund	1,145	569

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

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 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_township_handbook.pdf.

Officials' Response:

We will review the handbook to ensure we have posted transactions correctly.

FINDING NUMBER 2009-004

Noncompliance Citation/Material Weakness

Ohio Revised Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to the trustees paid per diem compensation.

The Fiscal Officer paid the salaries of Trustees from the General, Road and Bridge, Middle Bass Road District and Cemetery Levy funds in fiscal year 2008. The Fiscal Officer paid the salaries of Trustees from the General, Road and Bridge, Middle Bass Garbage and Waste District, Middle Bass Road District and Cemetery Levy funds in fiscal year 2009. While the Trustees did maintain time cards documenting their time spent on matters related to the purpose of various funds, the Fiscal Officer's allocation of the salaries was not proportionate to the actual time documented. Accordingly the following expenditures are deemed unallowable and have been adjusted in the financial statements and on the Township's accounting records to represent them as being paid from the General Fund:

Fiscal Year 2009:

Fund	Function	Amount
Road and Bridge	Public Works	\$ 3,404
Middle Bass Garbage and Waste District	Public Works	1,374
Cemetery Levy	General Government	2,939
Middle Bass Road District	Public Works	9,241

Fiscal Year 2008:

Fund	Function	Credit
Road and Bridge	Public Works	\$ 5,326
Cemetery Levy	General Government	492
Middle Bass Road District	Public Works	5,983

The allocation of Trustees' salaries to funds other than the General fund should be proportionate to the time documented on the monthly time cards. Failure to properly allocate Trustees' salaries charged to funds other than the General Fund results in the illegal expenditure of public monies from the Townships' other funds and will result in future findings for adjustment.

We also reported this matter in the management letter of the audit of the 2007 and 2006 financial statements.

Officials' Response:

The Trustees will consider a method to adequately document their time.

FINDING NUMBER 2009-005

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.

The following funds had appropriations exceeding estimated resources:

Fund	Certified Resources	Appropriations	Excess
<i>December 31, 2008:</i>			
South Bass Park Levy	20,708	21,707	(999)
<i>December 31, 2009:</i>			
Motor Vehicle License	27,723	32,419	(4,696)
Gas Tax	165,918	240,503	(74,585)
Road and Bridge	180,438	259,719	(79,281)
Middle Bass Garbage and Waste	148,796	149,048	(252)
Middle Bass Road District	68,716	78,875	(10,159)
North Bass Refuse Disposal	6,179	7,036	(857)
Emergency Medical Services	188,973	248,814	(59,841)
Doctor's Residence	27,450	35,703	(8,253)
Recycling Compactors	1,883	51,883	(50,000)

The South Bass Park Levy, Gas Tax, Road and Bridge, and Recycling Compactors Funds had revenues that were sufficient so as to allow 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.

Officials' Response:

We will monitor budget activity throughout the year and pass amendments when necessary.

FINDING NUMBER 2009-006

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 2009, the Township Fiscal Officer attended a conference requiring an overnight stay and was reimbursed for lodging and meal expenses. The amount reimbursed to the Fiscal Officer included \$31.00 for the purchases of alcoholic beverages, which is not a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Richard Rothert, Jr., Fiscal Officer, in the amount of \$31.00 in favor of the Put-in-Bay Township General Fund.

On October 20, 2010, the Township deposited a check for \$31.00 from Richard J. Rothert, Jr. for purposes of repaying the Township for the improper purchases of alcoholic beverages.

Officials Response:

We are aware of this prohibition and the alcohol purchase was inadvertently not removed from the bill.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.41(D)(1) – Prior certification of funds.	No	Reissued as Finding 2009-001 in this report.
2007-002	Ohio Rev. Code Section 5705.10(D) – Distribution of revenue.	No	Reissued as Finding 2009-003 in this report.

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Mary Taylor, CPA
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
NOVEMBER 16, 2010**