



Dave Yost • Auditor of State

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended December 2011 and 2010	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



Dave Yost • Auditor of State

Port Authority Eastlake Ohio
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the Board of Directors:

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

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

Dave Yost
Auditor of State

February 4, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Port Authority Eastlake Ohio
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the Board of Directors:

We have audited the accompanying financial statements of the Port Authority Eastlake Ohio, Lake County, (the Port Authority) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

While the Port Authority 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 Port Authority to reformat their statements. The Port Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2011 and 2010 of the Port Authority Eastlake Ohio, Lake County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Port Authority Eastlake Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2013, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 4, 2013

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Cash Receipts:		
Intergovernmental	\$10,030	\$120,493
Licenses, Permits, and Fees	52,935	45,101
Earnings on Investments	22	1
Miscellaneous	100	549
	63,087	166,144
Total Cash Receipts		
Cash Disbursements:		
Current:		
General Government	22,533	14,797
Capital Outlay	50,043	50,923
	72,576	65,720
Total Cash Disbursements		
Excess Receipts Over (Under) Disbursements	(9,489)	100,424
Net Change in Fund Cash Balances	(9,489)	100,424
Fund Cash Balances, January 1	104,359	3,935
Fund Cash Balances, December 31	94,870	104,359
Nonspendable		
Restricted		
Committed		
Assigned		
Unassigned (Deficit)	94,870	104,359
<i>Fund Cash Balances, December 31</i>	\$94,870	\$104,359

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

This page intentionally left blank

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Port Authority Eastlake Ohio, Lake County, (the Port Authority) as a body corporate and politic. The Port Authority operates under the direction of a seven member Board of Directors, five of which the Mayor with the consent of the Council of the City of Eastlake appoints. The Port Authority's operations involve the authorizations to purchase, construct, sell, lease, and operate docks, wharfs, piers, warehouses, and other port terminal or transportation facilities within its jurisdiction as enumerated in Ohio Revised Code Chapter 4582. The Port Authority operations also involve straightening, deepening, and improving any canal, channel, river, stream, or other water course or way that may be necessary or proper in the development of the facilities of the Port Authority as enumerated in Ohio Revised Code Chapter 4582.

The Port Authority's management believes these financial statements present all activities for which the Port Authority 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 Port Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Deposits and Investments

The Port Authority's accounting basis does not include 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.

During 2011 and 2010, the Port Authority had only a checking and saving account.

D. Fund Accounting

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

General Fund

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

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Budgetary Process

The Ohio Revised Code requires that each fund 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 must annually approve appropriation measures and subsequent amendments. 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 Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

2. Equity in Pooled Deposits and Investments

The Port Authority 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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$32,159	\$102,670
Other time deposits (savings and NOW accounts)	62,711	1,689
Total deposits	<u>\$94,870</u>	<u>\$104,359</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

During 2011 and 2010 the Port Authority did not follow any budgetary requirements as required by the Ohio Revised Code.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$63,087	\$63,087

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$72,576	(\$72,576)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$166,144	\$166,144

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$65,720	(\$65,720)

4. Retirement Systems

The Port Authority's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

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

5. Risk Management

Commercial Insurance

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

- Errors and omissions



Dave Yost • Auditor of State

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

Port Authority Eastlake Ohio
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the Board of Directors:

We have audited the financial statements of the Port Authority Eastlake Ohio, Lake County, (the Port Authority) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated February 4, 2013, wherein we noted the Port Authority 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. During 2011, the Port Authority also implemented Governmental accounting Standards Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 and another deficiency we consider to be significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 through 2011-003 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-04 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-02 and 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated February 4, 2013.

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

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



Dave Yost
Auditor of State

February 4, 2013

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

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

FINDING NUMBER 2011-001

Sticker Fees and Fines Receipts - Material Weakness

Various marinas along with the Harbor Master collect sticker fees, boat ramp fees and fishing pier fees for the Port Authority. However, we noted monitoring controls are not in place to ensure fees are collected in the correct amounts or timely deposited. During the review of sticker fees and fines receipts for 2010 and 2011 we noted the following:

- The Port Authority has not established a policy for the safeguarding and depositing of money;
- The Port Authority did not maintain adequate supporting documentation of its receipts. During our testing, we were unable to trace receipt information to deposit slips and bank statements for three of twenty-five or \$1,389 of total receipts related to fees in 2010 and three of twenty-four or \$9,486 of total receipts related to fees for 2011, and often the deposit date listed in the ledger did not agree with the actual month of deposit;
- We were unable to determine the date of collection for the six receipts, as we had no documentation. For the remaining 43, we looked at the dates of sale for the licenses, fines and fees documented on the forms provided by the marinas, and noted that none were deposited timely in accordance with Ohio Revised Code Section 9.38, which requires cash to be deposited in an eligible financial institution or with the chief fiscal officer of the government within 24 hours; and
- During 2010 and much of 2011, the Port Authority contracted with a private vendor to collect fishing pier fees. The private vendor would subtract their fee for the service and then remit the remaining fees to the Port Authority. During, July 2011, the Port Authority began gross collection of ramp and pier receipts. By not requiring the private vendor to submit all fees collected along with supporting documentation (the cards or duplicate receipt books), the Port Authority could not ensure it is receiving the appropriate amount of fishing pier fees.

While the Port Authority stopped maintaining a duplicate receipt book for collections of fishing pier, ramp, and sticker fees during 2011, its books are not maintained in a manner that would easily allow for review. Specifically these stubs are maintained in a box, instead of being attached to the associated deposit.

Many of the issues noted, are a result of the Port Authority's practice of having area marinas collect its sticker, and other fees, as well as not having a consistent reporting/receipting method. For example, during our review of the collections we noted the different marinas use a different form and procedure to document the number of tickets etc. sold, and the calculation of the portion of the collection amount due to the Port Authority collection was not always recorded for all Marinas.

The failure to establish adequate internal controls over the Port Authority's activities could result in a loss of accountability over its finances. As a result, it is difficult to identify errors which could go undetected, and could possibly result in the Port Authority not receiving all fees collected.

We recommend the Port Authority develop internal controls over its receipting process and procedures to document receipt collections for each day, which would include:

- Maintaining a record of pre-numbered sticker and ramp cards provided to marinas and the Harbor Master, and requiring they be remitted to the Port Authority along with the fees collected;
- Establishing a board approved fee schedule;

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2011-001 (continued)

Sticker fees and Fines Receipts - Material Weakness (continued)

- Recording receipts and depositing within the timeframes established under Ohio Revised Code Section 9.38 and
- Establishing a consistent form and method for obtaining receipts from vendors.

Official Response: The Port Authority will develop a more efficient means to track revenues in general from the vendors and marinas. We will also continue to use ticket numbers, etc. and reflect costs on those tickets and have revenue sheets that indicate ticket numbers and collection to make the process easier to review, track and audit collections.

Finding Number 2011-002

Financial Reporting – Noncompliance and Material Weakness

Sound financial reporting is the responsibility of the Treasurer, and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the Port Authority. Furthermore, Ohio Administrative Code Section 117- 2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Ohio Administrative Code. The following weaknesses were noted and subsequent adjustments were made to the financial statements and, where applicable, to the Port Authority's accounting records:

For 2010:

- Licenses, permits and fees receipts were understated by \$8,187, as a result of revenue not being posted to the ledgers or financial statements;
- Intergovernmental revenues were understated by \$110,000, as a result of the revenue not being reported on the 2011 financial statement;
- General government expenditures were understated by \$2,054 as a result of \$306 expenditures for 2009, being posted in the 2010 ledger and \$1,620, of bank fees and other expenditures not being posted and \$740 of other expenditures not being posted on the financial statements.
- Miscellaneous Revenue was understated by \$549, as a result of not being posted to the ledger or financial statements.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

Finding Number 2011-002(Continued)

Financial Reporting – Noncompliance and Material Weakness (Continued)

For 2011:

- Licenses, permits and fees receipts were understated by \$1,010, as a result of revenue not being posted to the ledger or financial statements;
- Rental Income was overstated by \$3,920, and intergovernmental revenue was understated by \$3,920, as a result of a misposting error; and
- General government expenditures were understated by \$1,217 as a result of \$72 expenditures for 2010 being posted in the 2011 ledger and \$1,289, of bank fees and other expenditures not being posted to the ledger.

In addition to the understatements noted above, we noted in 2010, the Port authority improperly post \$14,000 of 2009 expenditures to its 2010 ledger, but corrected the expenditure amount in its financial statements.

The understatements to the financial statement and ledger noted above are primarily a result of the Port Authority not posting its receipts and expenditures in a timely manner. Specifically, the monthly deposits listed in the Port Authority accounting system did not match the actual deposits dates on the bank statement, and monthly expenditures did not match the month when the check was issued.

On March 2011, the Port Authority hired a new fiscal officer, who made some corrections to the financial statements for the items not posted to the ledger or items that should not have been posted. However, the ledgers were not updated.

Failure to implement and maintain a system of controls over the Port Authority's financial records increases the chances of theft and other fraudulent activities. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Port Authority develop a process of internal controls, recordkeeping requirements and reporting procedures and improve their policies and procedures for controls over recording of financial transactions and over financial reporting. These changes will help ensure the information accurately reflects the activity of the Port Authority and thereby increasing the reliability of the financial data throughout the year.

Official Response: The non-postings and mispostings noted in the report are the result of timing issues caused by when financial activity is reported and approved by the Board, which causes financial activity to occur in one month but not be reported until the next.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

Finding Number 2011-003

Proper Encumbering – Noncompliance and Material weakness

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated 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 that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that 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 Port Authority can authorize the drawing of a warrant for the payment of the amount due. The Port Authority 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 Port Authority.

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 one particular line item appropriation.
3. Super Blanket Certificate – The Port Authority 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 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.

During our testing, we noted the Port Authority did not prepare purchase orders for any of the expenditures selected for testing.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

Finding Number 2011-003 (Continued)

Proper Encumbering – Noncompliance and Material weakness (Continued)

During our review of expenditures, we noted at the middle of 2011 the Port Authority developed purchase orders. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

We recommend the Port Authority certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements.

The Treasurer should sign the certification at the time the Port Authority incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should also post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. When prior certification is not possible, “then and now” certification should be used.

Official Response: The Port Authority has put purchase orders in place and there should not be issues with this in the future.

Finding Number 2011-004

Bank Reconciliation – Significant Deficiency

Reconciliation of the Port Authority’s bank accounts to its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Port Authority. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of “cash” in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Port Authority’s records should be explained.

We noted the Port Authority did not reconcile the bank balance to the book balance for any month during 2010 and for all months up to March 2011, nor did it have evidence of completed year end reconciliations for 2010.

Failure to properly reconcile bank accounts and resolve discrepancies resulted in errors in financial reporting.

We recommend the Port Authority complete a monthly bank-to-book cash reconciliation, which compares reconciled bank and investment balances to the Port Authority's book balances. Furthermore, The Board of Directors should formally approve the completed bank-to-book reconciliations.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

Finding Number 2011-004 (Continued)

Bank Reconciliation – Significant Deficiency (Continued)

Official Response: We agree the bank reconciliations were deficient for 2010, but that was remedied as part of hiring a new Treasurer. We prepare reconciliations for both the savings and checking account to the bank statements and also a reconciliation of the checking book balance.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Controls related to sticker fees and fine receipts	No	Repeated as 2011-01
2009-002	Prior approval of Expenditures/Adequate Supporting Documentation	Not fully corrected	Repeated as a recommendation in the management letter
2009-003	Proper encumbering	No	Repeated as 2011-003
2009-004	Financial reporting	No	Repeated as 2011-002
2009-005	Bank Reconciliation	No	Repeated as 2011-004

This page intentionally left blank.



Dave Yost • Auditor of State

PORT AUTHORITY EASTLAKE OHIO

LAKE 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
MARCH 5, 2013