



Dave Yost • Auditor of State



**PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Port Authority Eastlake Ohio, Lake County, (the Authority) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Port Authority Eastlake Ohio, Lake County as of December 31, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 12, 2014

**PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<b>General Fund</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Receipts:</b>		
Intergovernmental	\$23,000	\$18,625
Licenses, Permits, and Fees	44,807	48,503
Earnings on Investments	19	31
Miscellaneous	62	134
Total Cash Receipts	67,888	67,293
<b>Cash Disbursements:</b>		
Current:		
General Government	25,920	28,191
Capital Outlay	87,561	45,315
Total Cash Disbursements	113,481	73,506
Net Change in Fund Cash Balances	(45,593)	(6,213)
Fund Cash Balances, January 1	88,657	94,870
<b>Fund Cash Balances, December 31</b>		
Unassigned (Deficit)	43,064	88,657
<i>Fund Cash Balances, December 31</i>	<b>\$43,064</b>	<b>\$88,657</b>

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

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**PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 2013 and 2012, the Port Authority had only a checking and savings 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 fund 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, 2013 AND 2012  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance**

The 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, 2013 AND 2012  
(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 2013 and 2012 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>2013</u>	<u>2012</u>
Demand deposits	\$25,302	\$25,915
Other time deposits (savings and NOW accounts)	17,762	62,742
Total deposits	<u>\$43,064</u>	<u>\$88,657</u>

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

**PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending 2013 and 2012 follows:

During 2013 and 2012 the Port Authority did not follow any budgetary requirements as required by the Ohio Revised Code.

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$67,888	\$67,888

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$113,481	(\$113,481)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$67,293	\$67,293

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$73,506	(\$73,506)

**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 2013 and 2012, 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, 2013.

**5. Risk Management**

**Commercial Insurance**

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

- Errors and omissions



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## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Port Authority Eastlake Ohio, Lake County, (the Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2014, wherein we noted the Authority followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, as described in Note 1.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. 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 findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

As part of reasonably assuring whether the 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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 12, 2014

**PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<i>Finding Number</i>	2013-001
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Noncompliance and Material Weakness

**Properly Encumbering**

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.

The Port Authority developed the use of purchase orders; however, they were not used for any of the 25 expenditures tested. 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.

**PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<i>Finding Number</i>	2013-001 (Continued)
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Noncompliance and Material Weakness

**Properly Encumbering**

We recommend the Port Authority certify purchases to which section 5705.41(D) applies.

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

<i>Finding Number</i>	2013-002
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Material Weakness

**Sticker Fees and Fines Receipts**

Various marinas along with the Harbor Master collect sticker fees, boat ramp fees and fishing pier fees for the Port Authority. However, monitoring controls were not in place to ensure the Port Authority collects the appropriate amount of fees, and the fees are timely deposited. The following were noted:

- The Port Authority has not established a policy for the safeguarding and depositing of money;
- It was not possible to determine the date of collection for any revenue received in ledgers. Also, the Port Authority did not maintain a duplicate receipt book for collections of fishing pier fees. Without collection dates it could not be determined if the receipts 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 a timely manner;
- The Port Authority did not maintain all of the duplicate pre-numbered sticker cards that are provided to the marinas for collecting boat ramp, and other fees; and
- During 2012 and 2013 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. 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.

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:



PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

<i>Finding Number</i>	2013-002 (Continued)
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MATERIAL WEAKNESS

**Sticker Fees and Fines Receipts**

- 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;
- 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's 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.

**PORT AUTHORITY EASTLAKE OHIO  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Controls related to sticker fees and fine receipts	No	Repeated as 2013-002
2011-002	Financial Reporting	Yes	
2011-003	Proper encumbering	No	Repeated as 2013-001
2011-004	Bank Reconciliation	Yes	



# 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  
AUGUST 28, 2014**