



Mary Taylor, CPA
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 31, 2009 and 2008	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

This page intentionally left blank.



Mary Taylor, CPA
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 Port Authority 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

November 9, 2010

This page intentionally left blank.



Mary Taylor, CPA

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 Port Authority Eastlake Ohio, Lake County, (the Port Authority) as of and for the years ended December 31, 2009 and 2008. 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 the 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, 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 Port Authority as of November 9, 2010 or its changes in financial position for the years then ended.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Port Authority Eastlake Ohio, Lake County, as of December 31, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Port Authority 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 November 9, 2010, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 9, 2010

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Cash Receipts:		
Intergovernmental	\$161,551	\$11,000
Licenses, Permits, and Fees	48,586	45,197
Interest Income	2	692
Rental Income	600	0
Miscellaneous	322	5,496
Total Cash Receipts	211,061	62,385
Cash Disbursements:		
General Government	45,151	18,779
Capital Outlay	175,108	168,128
Total Cash Disbursements	220,259	186,907
Total Receipts Over/(Under) Disbursements	(9,198)	(124,522)
Other Financing Receipts:		
Total Other Financing Receipts	0	100,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,198)	(24,522)
Fund Cash Balances, January 1	13,133	37,655
Fund Cash Balances, December 31	\$3,935	\$13,133

This page intentionally left blank.

**PORT AUTHORITY EASTLAKE OHIO
LAKE 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 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

During 2009 and 2008, the Port Authority had only checking and savings accounts.

D. Budgetary Process

The Ohio Revised Code requires that 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 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.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the 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 2009 and 2008 budgetary activity appears in Note 3.

2. Equity in Pooled Cash and Investments

The Authority maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2009	2008
Demand deposits	\$2,228	\$9,900
Other time deposits (savings and NOW accounts)	1,707	3,233
Total deposits	3,935	13,133
Total deposits and investments	\$3,935	\$13,133

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

3. Budgetary Activity

Budgetary activity for the years ending 2009 and 2008 follows:

During 2009 and 2008 the Port Authority did not follow any budgetary requirements as required by the Ohio Revised Code.

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$211,061	\$211,061

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$220,259	(\$220,259)

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

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

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$162,385	\$162,385

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$186,907	(\$186,907)

4. Risk Management

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

- Errors and omissions

5. Retirement Systems

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Port Authority contributed an amount equaling 14%, respectively of participants' gross salaries. The Authority has paid all contributions required through December 31, 2009.

This page intentionally left blank.



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*

Port Authority of 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, 2009 and 2008, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated November 9, 2010 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. 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 the 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 other deficiencies we consider to be significant deficiencies.

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 2009-001 and 2009-004 described in the accompanying schedule of findings to be material weaknesses.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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 2009-002 and 2009-005 described in the accompanying schedule of findings to be significant deficiencies.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of finding as item 2009-003.

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 November 9, 2010.

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

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



Mary Taylor, CPA
Auditor of State

November 9, 2010

**PORT AUTHORITY EASTLAKE OHIO
LAKE 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

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 the Port Authority collects the appropriate amount of fees and the fees are timely deposited. During the review of sticker fees and fines receipts for 2009 and 2008 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 \$4,674 or 13 percent of total receipts related to fees in 2009 and \$34,537 or 76 percent of total receipts related to fees for 2008;
- We were unable 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 we could not determine 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 2009 and 2008, 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 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 require that 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, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-001 (continued)

Sticker fees and Fines Receipts - Material Weakness (continued)

- Establish contracts that quantify collection fees for marinas and the Harbor Master;
- Establish a depositing policy;
- Segregate daily receipts and maintaining a duplicate receipt book for all fee and fine collections, which documents the day the fees was collected and when deposited;
- Entering deposits into the system when they are collected; and
- Reconciling collections support to ledgers and bank records.

Finding Number 2009-002

Prior Approval of Expenditures/Adequate Supporting Documentation – Significant Deficiency

During our review of the Port Authority's 2009 expenditures, we noted the Port Authority paid \$110,108 for the purchase of land and in 2008, the Port Authority had \$95,550 in dredging service expenditures related to flooding in 2006 and an insurance payment in the amount of \$2,400. The Port Authority was unable to provide original invoices nor did the Port Authority appropriate or provide evidence of Board approval for the expenditures. Board approval is important in maintaining strong financial controls. By not having the Board approve all expenditures, the Board cannot ensure vendors provide services in accordance with the contract. Also, the absence of an original invoice or making a payment not supported by a proper invoice can considerably heighten the risk of fraud or misappropriation of public monies.

We recommend the Port authority formal approval for expenditures related to approved contracts. Also, we recommend closer monitoring and inspection of invoices by a person other than the individual responsible for processing payments. This person should inspect the voucher package to see if it is complete with purchase order and original invoice, approval procedures for payment are evident, the checks are signed by authorized signatories, the check amount is for the invoice amount, and the appropriate account code from which the funds are drawn against is shown on the voucher package.

Finding Number 2009-003

Proper Encumbering - Material Noncompliance

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.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-003 (continued)

Proper Encumbering – Material Noncompliance (continued)

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, AOS noted the Port Authority does not prepare purchase orders for any expenditures. 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 Secretary-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 Secretary-Treasurer should 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.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

Finding Number 2009-004

Financial Reporting - Material Weakness

Sound financial reporting is the responsibility of the Secretary-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 Admin. 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 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:

- Miscellaneous revenues were understated by \$12,476 in 2009 and \$924 in 2008;
- Interest income of \$692 in 2008 and was not posted to the ledger; and
- General government expenditures were understated by \$21,295 in 2009 and \$428 in 2008.

Also, we noted the Port Authority did not have detailed monthly support for all revenues and expenditures for 2009 and 2008. In addition, the monthly deposits listed in the Port Authority accounting system did not match actual deposits in the bank account, which was the result of the Port Authority not updating its accounting systems.

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.

**PORT AUTHORITY EASTLAKE OHIO
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

Finding Number 2009-005

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 2009 nor did it have evidence of completed year end reconciliations for 2009 and 2008. As a result, the Port Authority's 2009 book balance was overstated by \$98 and the 2008 book balance is understated \$20 compared to the bank balance. A subsequent adjustment to the financial statements and accounting records was made.

Failure to properly reconcile bank accounts and resolve discrepancies may result in errors in financial reporting. For example, a timely completed bank reconciliation would identify the dollar differences noted in Finding 2009-004.

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 approved the completed bank-to-book reconciliations.

Official Response to Findings:

The Port Authority agrees with the comments and intends on putting many or all of the recommendations in place. We have already begun to make some adjustments and will review our practices and make changes accordingly.

This Page is Intentionally Left Blank.



Mary Taylor, CPA
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
DECEMBER 14, 2010**