



**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 & 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Fairport Harbor Port Authority
Lake County
220 Third Street
Fairport Harbor, Ohio 44077

To the Board of Directors:

We have audited the accompanying financial statements of the Fairport Harbor Port Authority, Lake County, Ohio, (the Authority) as of and for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, the Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Fairport Harbor Port Authority, Lake County, Ohio, as of December 31, 2000 and December 31, 1999, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2001 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 18, 2001

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**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>
Cash Receipts:	
Local taxes	\$13,034
Intergovernmental	203,392
Charges for Services	24,691
Earnings on Investments	2,446
Miscellaneous	<u>10,935</u>
Total Cash Receipts	<u>254,498</u>
Cash Disbursements:	
General Government	23,139
Debt Service	
Interest	14,286
Capital Outlay	<u>488,595</u>
Total Cash Disbursements	<u>526,020</u>
Total Receipts Over/(Under) Disbursements	(271,522)
Other Financing Receipts:	
Proceeds from Loan	<u>217,883</u>
Total Other Financing Receipts	<u>217,883</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(53,639)
Fund cash balance, January 1, 2000	<u>104,291</u>
Fund cash balance, December 31, 2000	<u><u>\$50,652</u></u>

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

**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>
Cash Receipts:	
Local taxes	\$12,459
Intergovernmental	1,391
Charges for Services	30,000
Earnings on Investments	<u>3,331</u>
Total Cash Receipts	<u>47,181</u>
Cash Disbursements:	
General Government	24,137
Capital Outlay	<u>27,800</u>
Total Cash Disbursements	<u>51,937</u>
Total Receipts Over/(Under) Disbursements	(4,756)
Fund cash balance, January 1, 1999	<u>109,047</u>
Fund cash balance, December 31, 1999	<u><u>\$104,291</u></u>

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

**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 1999 THROUGH DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fairport Harbor Port Authority, Lake County, Ohio, (the Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority operates under the direction of a five-member Board of Directors, appointed by the Mayor with the consent of the Council of the Village of Fairport Harbor. The Authority's operations involve the authorization 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 Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control. The Board of Directors and the Lake County Budget Commission must annually approve the appropriation measure and subsequent amendments. Appropriations lapse at year end.

**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 1999 THROUGH DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Lake County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. The Authority did not use the encumbrance method of accounting.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$50,652	\$83,141
Certificates of deposit	<u>0</u>	<u>21,150</u>
Total deposits	<u><u>\$50,652</u></u>	<u><u>\$104,291</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 was as follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$116,826	\$472,381	\$355,555

**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 1999 THROUGH DECEMBER 31, 2000**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$526,020	(\$526,020)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,713	\$47,181	(\$72,532)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$51,937	(\$51,937)

For both 2000 and 1999, the Authority did not prepare a budget as required by Ohio Revised Code Section 4582.39.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Authority.

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Authority.

**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 1999 THROUGH DECEMBER 31, 2000**

5. RETIREMENT SYSTEMS

The Authority's employee belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. For 1999, the Authority contributed an amount equal to 13.55% of participants gross salary. For 2000, the Authority contributed an amount equal to 10.84% of the participants gross salary. The Authority has paid all contributions required through December 31, 2000.

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan - First Merit Bank	\$217,883	9.25%

The First Merit Bank loan was a temporary construction loan that was approved for \$250,000. The loan relates to the dredging of the river and construction of a brake wall and pier. The Authority borrowed only \$217,883 and is required to reduce the principal balance down to a minimum balance of \$75,000. The remaining principal balance will then be converted to a five-year real estate loan with the last payment being a balloon payment of principal and interest. The loan is collateralized by a mortgage and an assignment of rents and leases on the property.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31</u>	<u>Loan First Merit</u>
2001	\$161,700
2002	11,700
2003	11,700
2004	11,700
2005	<u>45,998</u>
Total	<u>\$242,798</u>

7. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials liability



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fairport Harbor Port Authority
Lake County
220 Third Street
Fairport Harbor, Ohio 44077

To the Board of Directors:

We have audited the financial statements of the Fairport Harbor Port Authority, Lake County, Ohio, (the Authority) as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated June 18, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30843-001 to 2000-30843-003.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated June 18, 2001.

Fairport Harbor Port Authority
Lake County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 18, 2001

**FAIRPORT HARBOR PORT AUTHORITY
LAKE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

Finding Number	2000-30843-001
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Ohio Rev. Code § 117.38, provides that cash-basis entities must file their annual reports with the Auditor of State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Authority did not file their annual report with the Auditor of State for the years ending December 31, 2000 and 1999. Furthermore, for 1999 the Authority did not publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

Finding Number	2000-30843-002
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Ohio Rev. Code § 4582.39, provides that the board of directors of a port authority shall annually prepare a budget for the port authority. The Board of Directors did not pass an appropriation measure for the years ending December 31, 2000 and 1999.

Finding Number	2000-30843-003
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Ohio Rev. Code § 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification should be void. Exceptions to this requirement are provided by statute. The fiscal officer does not certify the availability of funds for any contract or expenditure.



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FAIRPORT HARBOR PORT AUTHORITY

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
JULY 10, 2001**