



**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Fairport Harbor
Lake County
220 Third Street
Fairport Harbor, Ohio 44077

To the Village Council:

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.

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Mary Taylor, CPA
Auditor of State

November 20, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Fairport Harbor
Lake County
220 Third Street
Fairport Harbor, Ohio 44077

To the Village Council:

We have audited the accompanying financial statements of the Village of Fairport Harbor, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2008 and December 31, 2007. These financial statements are the responsibility of the Village'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 Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village 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 Villages to reformat their statements. The Village 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, 2008 and December 31, 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and December 31, 2007, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Fairport Harbor, Lake County, Ohio, as of December 31, 2008 and December 31, 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 20, 2009, on our consideration of the Village'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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 20, 2009

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax	\$440,882	\$138,545	\$0	\$0	\$579,427
Local Income Tax	700,247	0	0	0	700,247
Intergovernmental Receipts	562,333	153,114	0	361,214	1,076,661
Special Assessments	0	12,260	62,009	0	74,269
Charges for Services	114,136	0	0	0	114,136
Fees, Licenses, and Permits	42,823	19,358	0	0	62,181
Fines and Forfeits	24,184	3,586	0	0	27,770
Earnings on Investments	25,800	0	0	0	25,800
Contributions	25	740	0	0	765
Gifts	0	0	0	1,967	1,967
Miscellaneous	100,250	15,498	0	0	115,748
Total Cash Receipts	<u>2,010,680</u>	<u>343,101</u>	<u>62,009</u>	<u>363,181</u>	<u>2,778,971</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	975,313	7,515	0	0	982,828
Public Health Services	22,458	0	0	0	22,458
Leisure Time Activities	2,010	0	0	0	2,010
Community Development	50,994	720	0	0	51,714
Transportation	209,582	147,949	7,500	0	365,031
General Government	500,327	0	0	0	500,327
Materials and Supplies	14,160	6,517	0	0	20,677
Contractual Services	3,418	3,446	1,827	0	8,691
Personal Services	0	59,683	0	0	59,683
Fringe Benefits	0	18,418	0	0	18,418
Utilities	0	18,134	0	0	18,134
Miscellaneous	0	9,179	0	0	9,179
Capital Outlay	102,620	57,602	0	446,047	606,269
Debt Service:					
Principal Payments	0	0	159,243	0	159,243
Interest Payments	0	0	52,105	0	52,105
Total Cash Disbursements	<u>1,880,882</u>	<u>329,163</u>	<u>220,675</u>	<u>446,047</u>	<u>2,876,767</u>
Total Receipts Over/(Under) Disbursements	<u>129,798</u>	<u>13,938</u>	<u>(158,666)</u>	<u>(82,866)</u>	<u>(97,796)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	0	157,972	181,860	339,832
Transfers-Out	(129,000)	(30,242)	0	0	(159,242)
Advances-In	10,000	0	0	0	10,000
Advances-Out	(10,000)	0	0	0	(10,000)
Total Other Financing Receipts/(Disbursements)	<u>(129,000)</u>	<u>(30,242)</u>	<u>157,972</u>	<u>181,860</u>	<u>180,590</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	798	(16,304)	(694)	98,994	82,794
Fund Cash Balances, January 1, 2008	<u>843,595</u>	<u>110,480</u>	<u>4,814</u>	<u>4,709</u>	<u>963,598</u>
Fund Cash Balances, December 31, 2008	<u>\$844,393</u>	<u>\$94,176</u>	<u>\$4,120</u>	<u>\$103,703</u>	<u>\$1,046,392</u>
Reserves for Encumbrances, December 31, 2008	<u>\$37,809</u>	<u>\$5,700</u>	<u>\$0</u>	<u>\$26,902</u>	<u>\$70,411</u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$513,136	\$0	\$513,136
Fines, Licenses and Permits	533	0	533
Total Operating Cash Receipts	<u>513,669</u>	<u>0</u>	<u>513,669</u>
Operating Cash Disbursements:			
Contractual Services	426	0	426
Basic Utility Services	413,174	0	413,174
Total Operating Cash Disbursements	<u>413,600</u>	<u>0</u>	<u>413,600</u>
Operating Income/(Loss)	<u>100,069</u>	<u>0</u>	<u>100,069</u>
Non-Operating Cash Receipts:			
Earnings on Investments	2,712	0	2,712
Other Non-Operating Receipts	0	35,555	35,555
Total Non-Operating Cash Receipts	<u>2,712</u>	<u>35,555</u>	<u>38,267</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	33,557	33,557
Total Non-Operating Cash Disbursements	<u>0</u>	<u>33,557</u>	<u>33,557</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	102,781	1,998	104,779
Transfers-Out	(180,590)	0	(180,590)
Advances-In	10,000	0	10,000
Advances-Out	(10,000)	0	(10,000)
Net Receipts Over/(Under) Disbursements	(77,809)	1,998	(75,811)
Fund Cash Balances, January 1, 2008	<u>91,878</u>	<u>1,169</u>	<u>93,047</u>
Fund Cash Balances, December 31, 2008	<u>\$14,069</u>	<u>\$3,167</u>	<u>\$17,236</u>
Reserve for Encumbrances, December 31, 2008	<u>\$10,361</u>	<u>\$0</u>	<u>\$10,361</u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax	\$465,194	\$111,362	\$0	\$0	\$576,556
Local Income Tax	659,008	0	0	0	659,008
Intergovernmental Receipts	542,274	185,963	0	155,034	883,271
Special Assessments	0	12,368	64,780	0	77,148
Charges for Services	117,859	0	0	0	117,859
Fees, Licenses, and Permits	14,185	9,400	0	0	23,585
Fines and Forfeits	29,748	8,116	0	0	37,864
Earnings on Investments	53,059	0	0	0	53,059
Miscellaneous	134,108	9,347	0	0	143,455
Total Cash Receipts	2,015,435	336,556	64,780	155,034	2,571,805
Cash Disbursements:					
Current:					
Security of Persons and Property	940,450	1,150	0	0	941,600
Public Health Services	22,144	0	0	0	22,144
Leisure Time Activities	2,286	0	0	0	2,286
Community Development	50,960	0	0	0	50,960
Transportation	292,484	150,351	3,750	0	446,585
General Government	456,118	0	0	0	456,118
Materials and Supplies	5,158	12,440	0	0	17,598
Contractual Services	1,810	2,002	2,026	169,535	175,373
Personal Services	0	65,004	0	0	65,004
Fringe Benefits	0	18,700	0	0	18,700
Utilities	0	58,315	0	0	58,315
Miscellaneous	0	15,139	0	0	15,139
Capital Outlay	73,744	73,322	0	271	147,337
Debt Service:					
Principal Payments	0	0	153,658	0	153,658
Interest Payments	0	0	59,370	0	59,370
Total Cash Disbursements	1,845,154	396,423	218,804	169,806	2,630,187
Total Receipts Over/(Under) Disbursements	170,281	(59,867)	(154,024)	(14,772)	(58,382)
Other Financing Receipts and (Disbursements):					
Transfers-In	0	0	154,497	14,501	168,998
Transfers-Out	(18,251)	(30,204)	0	0	(48,455)
Total Other Financing Receipts/(Disbursements)	(18,251)	(30,204)	154,497	14,501	120,543
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	152,030	(90,071)	473	(271)	62,161
Fund Cash Balances, January 1, 2007	691,565	200,551	4,341	4,980	901,437
Fund Cash Balances, December 31, 2007	\$843,595	\$110,480	\$4,814	\$4,709	\$963,598
Reserves for Encumbrances, December 31, 2007	\$31,860	\$5,970	\$0	\$429	\$38,259

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$549,220	\$0	\$549,220
Fees, Licenses, Permits	1,072	0	1,072
Total Operating Cash Receipts	<u>550,292</u>	<u>0</u>	<u>550,292</u>
Operating Cash Disbursements:			
Contractual Services	762	0	762
Basic Utility Services	446,715	0	446,715
Total Operating Cash Disbursements	<u>447,477</u>	<u>0</u>	<u>447,477</u>
Operating Income/(Loss)	<u>102,815</u>	<u>0</u>	<u>102,815</u>
Non-Operating Cash Receipts:			
Interest Earnings	6,433	0	6,433
Other Non-Operating Receipts	0	36,306	36,306
Total Non-Operating Cash Receipts	<u>6,433</u>	<u>36,306</u>	<u>42,739</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	37,203	37,203
Total Non-Operating Cash Disbursements	<u>0</u>	<u>37,203</u>	<u>37,203</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	109,248	(897)	108,351
Transfers-Out	<u>(120,543)</u>	<u>0</u>	<u>(120,543)</u>
Net Receipts Over/(Under) Disbursements	(11,295)	(897)	(12,192)
Fund Cash Balances, January 1, 2007	<u>103,173</u>	<u>2,066</u>	<u>105,239</u>
Fund Cash Balances, December 31, 2007	<u>\$91,878</u>	<u>\$1,169</u>	<u>\$93,047</u>
Reserve for Encumbrances, December 31, 2007	<u>\$662</u>	<u>\$0</u>	<u>\$662</u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Village of Fairport Harbor, Lake County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, general governmental services, rubbish collections, building, zoning, and police and fire protection.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"), a jointly governed organization. NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC in 2008 or 2007. Financial information can be obtained by contacting NOPEC, 1615 Clark Avenue, Cleveland, Ohio, 44109.

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments (Continued)

The Village invests in STAR Ohio (the State Treasurer's investment pool), certificates of deposit and a repurchase agreement. The investment in STAR Ohio is valued at amounts reported by the State Treasurer, the certificates of deposit and the Repurchase Agreement is valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Lighting Fund -This fund receives special assessment monies which are used to provide street lighting.

Senior Community Center Fund -This fund receives monies which are used to run the daily operations of the Community Center.

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bonds and loan indebtedness.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

High Street Pavement Improvement Fund - This fund is used to account for pavement improvements to High Street.

Second & East Street Fund - This fund is used to account for the street projects.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Waterlines & Sewer Fund – This fund is used to account for waterline and sewer projects.

5. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village did not have private purpose trust funds for the audit period.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court which receives fees and fines from traffic violations. A portion of these fees are paid to the Village's General Fund and the remainder is remitted to the State.

E. 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, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool for 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:

	2008	2007
Deposits	\$857,594	(\$66,388)
Total deposits	857,594	(66,388)
STAR Ohio	206,034	493,033
Repurchase Agreements	0	630,000
Total investments	206,034	1,123,033
Total deposits and investments	\$1,063,628	\$1,056,645

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

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,878,747	\$2,010,680	\$131,933
Special Revenue	330,254	343,101	12,847
Debt Service	232,850	219,981	(12,869)
Capital Projects	1,181,700	545,041	(636,659)
Enterprise	556,800	516,381	(40,419)
Total	<u>\$4,180,351</u>	<u>\$3,635,184</u>	<u>(\$545,167)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,215,243	\$2,047,691	\$167,552
Special Revenue	400,913	365,105	35,808
Debt Service	233,248	220,675	12,573
Capital Projects	1,128,700	472,949	655,751
Enterprise	658,000	604,551	53,449
Total	<u>\$4,636,104</u>	<u>\$3,710,971</u>	<u>\$925,133</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,972,093	\$2,015,435	\$43,342
Special Revenue	375,925	336,556	(39,369)
Debt Service	232,850	219,277	(13,573)
Capital Projects	179,200	169,535	(9,665)
Enterprise	555,400	556,725	1,325
Total	<u>\$3,315,468</u>	<u>\$3,297,528</u>	<u>(\$17,940)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,169,474	\$1,895,265	\$274,209
Special Revenue	559,150	432,597	126,553
Debt Service	233,348	218,804	14,544
Capital Projects	184,100	170,235	13,865
Enterprise	641,500	568,681	72,819
Total	<u>\$3,787,572</u>	<u>\$3,285,582</u>	<u>\$501,990</u>

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax

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

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment or business activities within the Village, as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
High & Water Street Special Assessment Bonds	\$ 90,000	6.60%
OWDA Loan - Backwash Project	412,754	3.50%
OPWC Loan - Water Storage Tank Repairs	90,658	3.00%
OPWC Loan - Water Valve Replacements	74,328	3.00%
OPWC Loan - New Street Waterline	101,250	0.00%
OPWC Loan - Plum Street Phase 1	126,875	0.00%
OPWC Loan - Plum Street Phase 2	110,660	0.00%
OPWC Loan - High Street Pavement Improvement	98,364	0.00%
OPWC Loan - High Street	138,750	0.00%
USDA Loan - Senior Community Center	460,100	4.25%
Total	<u>\$ 1,703,739</u>	

The Special Assessment Bonds relate to the reconstruction of High and Water Streets. The bonds were issued in 1991 and will be repaid in semi-annual installments, including interest, over 20 years.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt (Continued)

The Ohio Water Development Authority (OWDA) loan for High and Water Street relates to water and sewer improvement projects. OWDA issued a loan for \$569,648 in 1989 and it is being repaid in annual installments of \$56,517, including interest, over 20 years.

The OWDA loan for the Backwash Project pertains to improvements to the water plant. OWDA issued the loan in 1999 for \$704,499. The loan will be repaid in semi-annual installments of \$24,638, including interest, over 20 years.

The Ohio Public Works Commission (OPWC) loan for Water Storage and Tank Repairs relates to improvements to the water storage. OPWC issued a loan in 2002 for \$122,900. The loan will be repaid in semi-annual payments of \$4,108, including interest, over 20 years.

The OPWC loan for Water Distribution System and Valve Replacement relates to water improvement projects. OPWC issued the loan in 2001 for \$107,319. The loan will be repaid in semi-annual payments of \$3,587, including interest over 20 years.

The OPWC loan for New Street Waterline Pavement and Improvements relates to improvements to the waterline and the road. OPWC issued the loan in 2002 for \$150,000. This loan will be repaid in semi-annual payments of \$3,750.

The OPWC loan for Plum Street Improvements – Phase 1 relates to improvements to Plum Street. OPWC issued the loan in 2003 for \$175,000. This loan will be repaid in semi-annual payments of \$4,375.

The OPWC loan for Plum Street Improvements – Phase 2 relates to improvements to Plum Street, OPWC issued the loan in 2004 for \$122,955. In 2005 the Village received the remainder of the loan of \$14,100. This loan will be repaid in semi-annual payments of \$3,074.

In 2006 the Village obtained a no-interest loan from OPWC for High Street Pavement Improvements. This project relates to improvements to High Street. The Village received \$150,000 in loan proceeds. This loan will be repaid in semi-annual payments of \$3,750.

The USDA Loan relates to Senior/Community Center General Obligation Bonds for the improvement of the Fairport Harbor Senior/Community Center. USDA issued general obligation bonds in 2003 for \$507,000 and will be repaid in annual installments, including interest, over 30 years.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	High & Water Street - Special Assessment Bonds	Backwash Project OWDA Loan	Water Storage Tank Repair OPWC Loan	Water Distribution Valve Replacement OPWC Loan
2009	\$35,940	\$49,276	\$8,216	\$7,175
2010	33,960	49,276	8,216	7,175
2011	31,980	49,276	8,216	7,175
2012		49,276	8,216	7,175
2013		49,276	8,216	7,175
2014-2018		246,378	41,082	35,876
2019-2023			28,758	17,937
Total	<u>\$101,880</u>	<u>\$492,758</u>	<u>\$110,920</u>	<u>\$89,688</u>

Year ending December 31:	New Street Waterline OPWC Loan	Plum Street Improvement Phase 1 OPWC Loan	Plum Street Improvement Phase 2 OPWC Loan
2009	\$7,500	\$8,750	\$6,148
2010	7,500	8,750	6,148
2011	7,500	8,750	6,148
2012	7,500	8,750	6,148
2013	7,500	8,750	6,148
2014-2018	37,500	43,750	30,740
2019-2023	26,250	39,375	30,740
2024-2028			6,148
Total	<u>\$101,250</u>	<u>\$126,875</u>	<u>\$98,368</u>

Year ending December 31:	High Street OPWC Loan	Senior Community Center USDA Loan	TOTALS
2009	\$7,500	\$30,254	\$160,759
2010	7,500	30,200	158,725
2011	7,500	30,228	156,773
2012	7,500	30,284	124,849
2013	7,500	30,220	124,785
2014-2018	37,500	151,228	624,054
2019-2023	37,500	151,255	331,815
2024-2027	26,250	151,180	183,578
2029-2033		151,221	151,221
Total	<u>\$138,750</u>	<u>\$756,070</u>	<u>\$2,016,559</u>

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time firefighters' wages, respectively. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance to full-time employees through a private carrier.

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Mary Taylor, CPA

Auditor of State

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

Village of Fairport Harbor
Lake County
220 Third Street
Fairport Harbor, Ohio 44077

To the Village Council:

We have audited the financial statements of the Village of Fairport Harbor, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated November 20, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated November 20, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the Audit Committee, management and the Village Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 20, 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF FAIRPORT HARBOR

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 8, 2009**