



**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005



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

September 18, 2007

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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, 2006 and December 31, 2005. 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, 2006 and December 31, 2005 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, 2006 and December 31, 2005, 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, 2006 and December 31, 2005, 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 September 18, 2007, 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

September 18, 2007

**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, 2006**

	<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	\$438,718	\$90,620	\$0	\$0	\$529,338
Local Income Tax	664,326	0	0	0	664,326
Intergovernmental Receipts	728,922	211,399	0	302,232	1,242,553
Special Assessments	0	16,134	62,904	0	79,038
Charges for Services	100,912	0	0	0	100,912
Fees, Licenses, and Permits	6,081	7,075	0	0	13,156
Fines and Forfeits	22,854	7,479	0	0	30,333
Earnings on Investments	48,421	0	0	0	48,421
Miscellaneous	117,894	8,748	0	0	126,642
Total Cash Receipts	<u>2,128,128</u>	<u>341,455</u>	<u>62,904</u>	<u>302,232</u>	<u>2,834,719</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	874,510	0	0	0	874,510
Public Health Services	24,141	0	0	0	24,141
Leisure Time Activities	1,728	0	0	0	1,728
Community Development	31,176	0	0	0	31,176
Basic Utility Service	0	17,298	0	0	17,298
Transportation	168,586	150,045	0	25,000	343,631
General Government	468,665	0	0	0	468,665
Materials and Supplies	9,380	10,794	0	0	20,174
Contractual Services	2,356	2,380	883	554,595	560,214
Personal Services	0	52,724	0	0	52,724
Fringe Benefits	0	18,894	0	0	18,894
Utilities	0	15,740	0	0	15,740
Miscellaneous	0	10,514	0	0	10,514
Capital Outlay	198,027	90,880	0	19,214	308,121
Debt Service:					
Principal Payments	0	0	148,383	0	148,383
Interest Payments	0	0	67,282	0	67,282
Total Cash Disbursements	<u>1,778,569</u>	<u>369,269</u>	<u>216,548</u>	<u>598,809</u>	<u>2,963,195</u>
Total Receipts Over/(Under) Disbursements	<u>349,559</u>	<u>(27,814)</u>	<u>(153,644)</u>	<u>(296,577)</u>	<u>(128,476)</u>
Other Financing Receipts and (Disbursements):					
OPWC Loan Proceeds	0	0	0	150,000	150,000
Transfers-In	0	0	150,212	146,100	296,312
Transfers-Out	(125,000)	(51,304)	0	0	(176,304)
Total Other Financing Receipts/(Disbursements)	<u>(125,000)</u>	<u>(51,304)</u>	<u>150,212</u>	<u>296,100</u>	<u>270,008</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	224,559	(79,118)	(3,432)	(477)	141,532
Fund Cash Balances, January 1, 2006	467,006	279,669	7,773	5,457	759,905
Fund Cash Balances, December 31, 2006	<u>\$691,565</u>	<u>\$200,551</u>	<u>\$4,341</u>	<u>\$4,980</u>	<u>\$901,437</u>
Reserves for Encumbrances, December 31, 2006	<u>\$43,166</u>	<u>\$16,229</u>	<u>\$0</u>	<u>\$0</u>	<u>\$59,395</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, 2006**

	<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	\$544,637	\$0	\$544,637
Fines, Licenses and Permits	2,559	0	2,559
Total Operating Cash Receipts	<u>547,196</u>	<u>0</u>	<u>547,196</u>
Operating Cash Disbursements:			
Contractual Services	376	0	376
Basic Utility Services	407,476	0	407,476
Total Operating Cash Disbursements	<u>407,852</u>	<u>0</u>	<u>407,852</u>
Operating Income/(Loss)	<u>139,344</u>	<u>0</u>	<u>139,344</u>
Non-Operating Cash Receipts:			
Earnings on Investments	5,797	0	5,797
Other Non-Operating Receipts	0	28,441	28,441
Total Non-Operating Cash Receipts	<u>5,797</u>	<u>28,441</u>	<u>34,238</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	31,420	31,420
Total Non-Operating Cash Disbursements	<u>0</u>	<u>31,420</u>	<u>31,420</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	145,141	(2,979)	142,162
Transfers-Out	(120,008)	0	(120,008)
Net Receipts Over/(Under) Disbursements	25,133	(2,979)	22,154
Fund Cash Balances, January 1, 2006	78,040	5,045	83,085
Fund Cash Balances, December 31, 2006	<u>\$103,173</u>	<u>\$2,066</u>	<u>\$105,239</u>
Reserve for Encumbrances, December 31, 2006	<u>\$16,976</u>	<u>\$0</u>	<u>\$16,976</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, 2005**

	<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	\$289,229	\$90,951	\$0	\$0	\$380,180
Local Income Tax	694,133	0	0	0	694,133
Intergovernmental Receipts	489,047	134,556	0	7,196	630,799
Special Assessments	0	110,388	69,448	0	179,836
Charges for Services	97,990	0	0	0	97,990
Fees, Licenses, and Permits	8,672	3,500	0	0	12,172
Fines and Forfeits	16,966	2,791	0	0	19,757
Earnings on Investments	25,022	0	0	0	25,022
Contributions	25	0	0	0	25
Gifts	0	0	0	1,000	1,000
Miscellaneous	90,520	16,384	0	0	106,904
Total Cash Receipts	<u>1,711,604</u>	<u>358,570</u>	<u>69,448</u>	<u>8,196</u>	<u>2,147,818</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	809,660	0	0	0	809,660
Public Health Services	20,349	0	0	0	20,349
Leisure Time Activities	1,500	0	0	0	1,500
Community Development	22,765	0	0	0	22,765
Transportation	154,002	141,078	0	0	295,080
General Government	416,195	0	0	0	416,195
Materials and Supplies	6,466	5,211	0	0	11,677
Contractual Services	193	9,579	1,071	191,796	202,639
Personal Services	0	44,047	0	0	44,047
Fringe Benefits	0	18,428	0	0	18,428
Utilities	0	13,650	0	0	13,650
Miscellaneous	0	5,921	0	0	5,921
Capital Outlay	42,092	57,510	0	0	99,602
Debt Service:					
Principal Payments	0	0	143,502	0	143,502
Interest Payments	0	0	74,230	0	74,230
Total Cash Disbursements	<u>1,473,222</u>	<u>295,424</u>	<u>218,803</u>	<u>191,796</u>	<u>2,179,245</u>
Total Receipts Over/(Under) Disbursements	<u>238,382</u>	<u>63,146</u>	<u>(149,355)</u>	<u>(183,600)</u>	<u>(31,427)</u>
Other Financing Receipts and (Disbursements):					
OPWC Loan Proceeds	0	0	0	14,100	14,100
Transfers-In	0	0	148,993	170,588	319,581
Transfers-Out	0	(196,676)	0	0	(196,676)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>(196,676)</u>	<u>148,993</u>	<u>184,688</u>	<u>137,005</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>238,382</u>	<u>(133,530)</u>	<u>(362)</u>	<u>1,088</u>	<u>105,578</u>
Fund Cash Balances, January 1, 2005	<u>228,624</u>	<u>413,199</u>	<u>8,135</u>	<u>4,369</u>	<u>654,327</u>
Fund Cash Balances, December 31, 2005	<u><u>\$467,006</u></u>	<u><u>\$279,669</u></u>	<u><u>\$7,773</u></u>	<u><u>\$5,457</u></u>	<u><u>\$759,905</u></u>
Reserves for Encumbrances, December 31, 2005	<u><u>\$9,576</u></u>	<u><u>\$35,918</u></u>	<u><u>\$0</u></u>	<u><u>\$21,285</u></u>	<u><u>\$66,779</u></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, 2005**

	<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	\$544,210	\$0	\$544,210
Fees, Licenses, Permits	1,859	0	1,859
Total Operating Cash Receipts	<u>546,069</u>	<u>0</u>	<u>546,069</u>
Operating Cash Disbursements:			
Contractual Services	818	0	818
Basic Utility Services	359,675	0	359,675
Total Operating Cash Disbursements	<u>360,493</u>	<u>0</u>	<u>360,493</u>
Operating Income/(Loss)	<u>185,576</u>	<u>0</u>	<u>185,576</u>
Non-Operating Cash Receipts:			
Interest Earnings	2,286	0	2,286
Other Non-Operating Receipts	0	24,759	24,759
Total Non-Operating Cash Receipts	<u>2,286</u>	<u>24,759</u>	<u>27,045</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	21,252	21,252
Total Non-Operating Cash Disbursements	<u>0</u>	<u>21,252</u>	<u>21,252</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	187,862	3,507	191,369
Transfers-Out	<u>(122,906)</u>	<u>0</u>	<u>(122,906)</u>
Net Receipts Over/(Under) Disbursements	64,956	3,507	68,463
Fund Cash Balances, January 1, 2005	<u>13,084</u>	<u>1,538</u>	<u>14,622</u>
Fund Cash Balances, December 31, 2005	<u>\$78,040</u>	<u>\$5,045</u>	<u>\$83,085</u>
Reserve for Encumbrances, December 31, 2005	<u>\$8,514</u>	<u>\$0</u>	<u>\$8,514</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, 2006 AND 2005**

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 2006 or 2005. 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, 2006 AND 2005
(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) and a repurchase agreement. The investment in STAR Ohio is valued at amounts reported by the State Treasurer 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.

Senior Community Center Construction Fund - This fund is used to account for the construction of the senior community center.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 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, 2006 AND 2005
(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 2006 and 2005 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:

	2006	2005
Demand deposits	(\$56,895)	(\$68,737)
Total deposits	(56,895)	(68,737)
STAR Ohio	468,571	446,727
Repurchase Agreements	595,000	465,000
Total investments	1,063,571	911,727
Total deposits and investments	\$1,006,676	\$842,990

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, 2006 AND 2005
(Continued)**

3. Budgetary Activity

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,065,544	\$2,128,128	\$62,584
Special Revenue	300,870	341,455	40,585
Debt Service	230,350	213,116	(17,234)
Capital Projects	853,465	598,332	(255,133)
Enterprise	550,000	552,993	2,993
Total	<u>\$4,000,229</u>	<u>\$3,834,024</u>	<u>(\$166,205)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,145,672	\$1,946,735	\$198,937
Special Revenue	543,388	436,802	106,586
Debt Service	234,843	216,548	18,295
Capital Projects	837,565	598,809	238,756
Enterprise	619,500	544,836	74,664
Total	<u>\$4,380,968</u>	<u>\$3,743,730</u>	<u>\$637,238</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,632,187	\$1,711,604	\$79,417
Special Revenue	337,832	358,570	20,738
Debt Service	232,250	218,441	(13,809)
Capital Projects	496,710	192,884	(303,826)
Enterprise	550,000	548,355	(1,645)
Total	<u>\$3,248,979</u>	<u>\$3,029,854</u>	<u>(\$219,125)</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,585,263	\$1,482,798	\$102,465
Special Revenue	716,803	528,018	188,785
Debt Service	240,288	218,803	21,485
Capital Projects	493,910	213,081	280,829
Enterprise	560,000	491,913	68,087
Total	<u>\$3,596,264</u>	<u>\$2,934,613</u>	<u>\$661,651</u>

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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, residency, 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, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
High & Water Street Special Assessment Bonds	\$ 150,000	6.60%
OWDA Loan - High & Water Street	101,268	7.65%
OWDA Loan - Backwash Project	479,468	3.50%
OPWC Loan - Water Storage Tank Repairs	101,251	3.00%
OPWC Loan - Water Valve Replacements	83,858	3.00%
OPWC Loan - New Street Waterline	116,250	0.00%
OPWC Loan - Plum Street Phase 1	144,375	0.00%
OPWC Loan - Plum Street Phase 2	110,660	0.00%
OPWC Loan - High Street Pavement Improvement	150,000	0.00%
USDA Loan - Senior Community Center	480,100	4.25%
Total	<u>\$ 1,917,230</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, 2006 AND 2005
(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. No payments have been made on the loan because it was not finalized and an amortization schedule has not been provided.

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, 2006 AND 2005
(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	High & Water Street OWDA Loan	Backwash Project OWDA Loan	Water Storage Tank Repair OPWC Loan
2007	\$39,900	\$56,517	\$49,276	\$8,216
2008	37,920	56,517	49,276	8,216
2009	35,940		49,276	8,216
2010	33,960		49,276	8,216
2011	31,960		49,276	8,216
2012-2016			246,378	41,082
2017-2021			98,551	41,082
2022-2026				4,108
Total	<u>\$179,680</u>	<u>\$113,034</u>	<u>\$591,309</u>	<u>\$127,352</u>

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Year ending December 31:	Water Distribution Valve Replacement OPWC Loan	New Street Waterline OPWC Loan	Plum Street Improvement Phase 1 OPWC Loan	Plum Street Improvement Phase 2 OPWC Loan	Senior Community Center USDA Loan	TOTALS
2007	\$7,175	\$7,500	\$8,750	\$6,148	\$30,204	\$213,686
2008	7,175	7,500	8,750	6,148	30,243	211,745
2009	7,175	7,500	8,750	6,148	30,254	153,259
2010	7,175	7,500	8,750	6,148	30,199	151,224
2011	7,175	7,500	8,750	6,148	30,228	149,253
2012-2016	35,875	37,500	43,750	30,740	151,299	586,624
2017-2021	32,287	37,500	43,750	30,740	151,202	435,112
2022-2026		3,750	13,125	18,444	151,226	190,653
2027-2031					151,209	151,209
2032-2033					60,453	60,453
Total	<u>\$104,037</u>	<u>\$116,250</u>	<u>\$144,375</u>	<u>\$110,664</u>	<u>\$816,517</u>	<u>\$2,303,218</u>

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 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, 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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

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, 2006 and December 31, 2005, and have issued our report thereon dated September 18, 2007, 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 September 18, 2007.

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 management and the Village Council. We intend it for no one other than these specified parties.

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

September 18, 2007



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
OCTOBER 18, 2007**