



**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Fund Types - For the Year Ended December 31, 2009.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2009.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19

This page intentionally left blank.



Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 5, 2011

This page intentionally left blank.



Dave Yost • 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, 2010 and December 31, 2009. 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. The Village began processing its financial transactions in 2010, with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11 (A) mandates the Auditor of State to audit Ohio governments. 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.

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

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, 2010 and December 31, 2009 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, 2010 and December 31, 2009, or its changes in financial position for the years then ended.

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, 2010 and December 31, 2009, 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 August 5, 2011, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 5, 2011

**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, 2010**

	<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	\$446,241	\$134,466	\$0	\$0	\$580,707
Local Income Tax	697,481	0	0	0	697,481
Intergovernmental Receipts	531,423	145,337	0	45,628	722,388
Special Assessments	0	57,181	41,848	0	99,029
Charges for Services	111,459	17,875	0	0	129,334
Fees, Licenses, and Permits	98,769	5,268	0	0	104,037
Earnings on Investments	8,334	0	0	0	8,334
Miscellaneous	49,733	10,710	0	1,000	61,443
Total Cash Receipts	<u>1,943,440</u>	<u>370,837</u>	<u>41,848</u>	<u>46,628</u>	<u>2,402,753</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,065,729	94,316	0	0	1,160,045
Public Health Services	22,725	0	0	0	22,725
Leisure Time Activities	385	102,502	0	740	103,627
Community Development	46,348	0	0	0	46,348
Transportation	181,406	126,530	0	0	307,936
General Government	465,704	4,057	1,598	0	471,359
Capital Outlay	0	0	0	46,667	46,667
Debt Service:					
Principal Payments	0	0	55,364	0	55,364
Interest Payments	0	0	23,060	0	23,060
Total Cash Disbursements	<u>1,782,297</u>	<u>327,405</u>	<u>80,022</u>	<u>47,407</u>	<u>2,237,131</u>
Total Receipts Over/(Under) Disbursements	<u>161,143</u>	<u>43,432</u>	<u>(38,174)</u>	<u>(779)</u>	<u>165,622</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	0	44,463	197	44,660
Transfers-Out	(14,461)	(30,199)	0	0	(44,660)
Total Other Financing Receipts/(Disbursements)	<u>(14,461)</u>	<u>(30,199)</u>	<u>44,463</u>	<u>197</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>146,682</u>	<u>13,233</u>	<u>6,289</u>	<u>(582)</u>	<u>165,622</u>
Fund Cash Balances, January 1, 2010	<u>868,273</u>	<u>134,962</u>	<u>1,193</u>	<u>1,839</u>	<u>1,006,267</u>
Fund Cash Balances, December 31, 2010	<u>\$1,014,955</u>	<u>\$148,195</u>	<u>\$7,482</u>	<u>\$1,257</u>	<u>\$1,171,889</u>
Reserves for Encumbrances, December 31, 2010	<u>\$36,060</u>	<u>\$2,238</u>	<u>\$0</u>	<u>\$0</u>	<u>\$38,298</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, 2010**

	<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	\$558,848	\$0	\$558,848
Total Operating Cash Receipts	<u>558,848</u>	<u>0</u>	<u>558,848</u>
Operating Cash Disbursements:			
Contractual Services	64,665	0	64,665
Basic Utility Services	304,300	0	304,300
Total Operating Cash Disbursements	<u>368,965</u>	<u>0</u>	<u>368,965</u>
Operating Income/(Loss)	<u>189,883</u>	<u>0</u>	<u>189,883</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	32,245	32,245
Total Non-Operating Cash Receipts	<u>0</u>	<u>32,245</u>	<u>32,245</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	9,094		
Principal	76,298		
Interest and fiscal charges	17,454	34,872	52,326
Total Non-Operating Cash Disbursements	<u>102,846</u>	<u>34,872</u>	<u>52,326</u>
Excess of Receipts Over/(Under) Disbursements	87,037	(2,627)	169,802
Fund Cash Balances, January 1, 2010	<u>108,587</u>	<u>3,367</u>	<u>111,954</u>
Fund Cash Balances, December 31, 2010	<u>\$195,624</u>	<u>\$740</u>	<u>\$281,756</u>
Reserve for Encumbrances, December 31, 2010	<u>\$9,857</u>	<u>\$0</u>	<u>\$9,857</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, 2009**

	<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	\$409,716	\$143,211	\$0	\$0	\$552,927
Local Income Tax	662,843	0	0	0	662,843
Intergovernmental Receipts	481,868	146,168	0	202,873	830,909
Special Assessments	0	58,836	56,155	0	114,991
Charges for Services	125,350	0	0	0	125,350
Fees, Licenses, and Permits	121,371	14,150	0	0	135,521
Fines and Forfeits	27,913	6,219	0	0	34,132
Earnings on Investments	10,863	0	0	0	10,863
Contributions	0	800	0	0	800
Miscellaneous	57,265	9,166	0	0	66,431
Total Cash Receipts	<u>1,897,189</u>	<u>378,550</u>	<u>56,155</u>	<u>202,873</u>	<u>2,534,767</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,001,682	0	0	0	1,001,682
Public Health Services	22,189	0	0	0	22,189
Leisure Time Activities	255	0	0	0	255
Community Development	43,650	600	0	0	44,250
Transportation	175,494	122,245	0	0	297,739
General Government	482,462	0	0	0	482,462
Materials and Supplies	7,598	5,437	0	0	13,035
Contractual Services	4,586	4,011	1,669	45,000	55,266
Personal Services	0	58,690	0	0	58,690
Fringe Benefits	0	19,391	0	0	19,391
Utilities	0	19,486	0	0	19,486
Miscellaneous	0	8,324	0	0	8,324
Capital Outlay	76,965	69,326	0	599,811	746,102
Debt Service:					
Principal Payments	0	0	116,252	0	116,252
Interest Payments	0	0	44,507	0	44,507
Total Cash Disbursements	<u>1,814,881</u>	<u>307,510</u>	<u>162,428</u>	<u>644,811</u>	<u>2,929,630</u>
Total Receipts Over/(Under) Disbursements	<u>82,308</u>	<u>71,040</u>	<u>(106,273)</u>	<u>(441,938)</u>	<u>(394,863)</u>
Other Financing Receipts and (Disbursements):					
OPWC Loan Proceeds	0	0	0	269,033	269,033
Transfers-In	0	0	103,346	71,041	174,387
Transfers-Out	(58,428)	(30,254)	0	0	(88,682)
Total Other Financing Receipts/(Disbursements)	<u>(58,428)</u>	<u>(30,254)</u>	<u>103,346</u>	<u>340,074</u>	<u>354,738</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,880	40,786	(2,927)	(101,864)	(40,125)
Fund Cash Balances, January 1, 2009	844,393	94,176	4,120	103,703	1,046,392
Fund Cash Balances, December 31, 2009	<u><u>\$868,273</u></u>	<u><u>\$134,962</u></u>	<u><u>\$1,193</u></u>	<u><u>\$1,839</u></u>	<u><u>\$1,006,267</u></u>
Reserves for Encumbrances, December 31, 2009	<u>\$41,429</u>	<u>\$4,406</u>	<u>\$0</u>	<u>\$0</u>	<u>\$45,835</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, 2009**

	<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	\$536,927	\$0	\$536,927
Fines, Licenses and Permits	\$3,044	0	3,044
All Other Revenue	21,153	0	21,153
	<u>561,124</u>	<u>0</u>	<u>561,124</u>
Operating Cash Disbursements:			
Contractual Services	907	0	907
Basic Utility Services	381,174	0	381,174
	<u>382,081</u>	<u>0</u>	<u>382,081</u>
Total Operating Cash Disbursements	<u>382,081</u>	<u>0</u>	<u>382,081</u>
Operating Income	<u>179,043</u>	<u>0</u>	<u>179,043</u>
Non-Operating Cash Receipts:			
Earnings on Investments	1,180	0	1,180
Other Non-Operating Receipts	0	35,135	35,135
	<u>1,180</u>	<u>35,135</u>	<u>36,315</u>
Total Non-Operating Cash Receipts	<u>1,180</u>	<u>35,135</u>	<u>36,315</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	34,935	34,935
	<u>0</u>	<u>34,935</u>	<u>34,935</u>
Total Non-Operating Cash Disbursements	<u>0</u>	<u>34,935</u>	<u>34,935</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	180,223	200	180,423
Transfers-Out	(85,705)	0	(85,705)
Net Receipts Over/(Under) Disbursements	94,518	200	94,718
Fund Cash Balances, January 1, 2009	14,069	3,167	17,236
Fund Cash Balances, December 31, 2009	<u>\$108,587</u>	<u>\$3,367</u>	<u>\$111,954</u>
Reserve for Encumbrances, December 31, 2009	<u>\$7,815</u>	<u>\$0</u>	<u>\$7,815</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, 2010 AND 2009**

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, 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 2010 or 2009. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio, 44139.

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, 2010 AND 2009
(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 certificates of deposit. The investment in STAR Ohio is valued at amounts reported by the State Treasurer, the certificates of deposit 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 Senior/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, 2010 AND 2009
(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 current projects are for New, Seventh, King and Burton streets.

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, 2010 AND 2009
(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 2010 and 2009 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:

	2010	2009
Demand Deposits	\$123,711	\$127,469
Certificates of Deposit	1,233,100	979,322
Total deposits	1,356,811	1,106,791
 STAR Ohio	 11,442	 11,430
Total deposits and investments	\$1,368,253	\$1,118,221

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

Investments: 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, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,789,721	\$1,943,440	\$153,719
Special Revenue	380,000	370,837	(9,163)
Debt Service	176,950	86,311	(90,639)
Capital Projects	115,000	46,825	(68,175)
Enterprise	548,700	558,848	10,148
Total	\$3,010,371	\$3,006,261	(\$4,110)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,225,662	\$1,832,818	\$392,844
Special Revenue	427,566	359,841	67,725
Debt Service	175,950	80,022	95,928
Capital Projects	102,800	47,407	55,393
Enterprise	584,815	481,668	103,147
Total	\$3,516,793	\$2,801,756	\$715,037

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,841,127	\$1,897,189	\$56,062
Special Revenue	380,540	378,549	(1,991)
Debt Service	170,470	159,501	(10,969)
Capital Projects	654,400	542,947	(111,453)
Enterprise	566,200	562,304	(3,896)
Total	\$3,612,737	\$3,540,490	(\$72,247)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,221,073	\$1,914,738	\$306,335
Special Revenue	395,310	342,170	53,140
Debt Service	171,278	162,428	8,850
Capital Projects	733,102	644,810	88,292
Enterprise	573,360	475,601	97,759
Total	\$4,094,123	\$3,539,747	\$554,376

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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. These dates can change, if the County grants an extension on collection.

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

Tangible personal property tax is assessed only against local and inter-exchange telephone companies for 2010 and 2009 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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
High & Water Street Special Assessment Bonds	\$30,000	6.60%
OWDA Loan - Backwash Project	341,245	3.50%
OPWC Loan - Water Storage Tank Repairs	79,415	3.00%
OPWC Loan - Water Valve Replacements	64,214	3.00%
OPWC Loan - New Street Waterline	86,250	0.00%
OPWC Loan - Plum Street Phase 1	109,375	0.00%
OPWC Loan - Plum Street Phase 2	86,069	0.00%
OPWC Loan - High Street Pavement Improvement	123,750	0.00%
OPWC Loan - New, Seventh, King and Burton	127,072	0.00%
OPWC Loan - Second and East	128,510	0.00%
USDA Loan - Senior Community Center	438,300	4.25%
Total	<u>\$1,614,200</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, 2010 AND 2009
(Continued)**

6. Debt (Continued)

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.

The OPWC loan for New, Seventh, King and Burt Street Improvements relates to improvements to those streets. OPWC issued the loan in 2009 for \$133,759. This loan will be repaid in semi-annual payments of \$6,688.

The OPWC loan for Second and East Streets Improvements relates to improvements to those two streets. OPWC issued the loan in 2009 for \$135,274. This loan will be repaid in semi-annual payments of \$6,764.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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
2011	\$31,980	\$49,276	\$8,216	\$7,175
2012		49,276	8,216	7,175
2013		49,276	8,216	7,175
2014		49,276	8,216	7,175
2015		49,276	8,216	7,175
2016-2020		172,466	41,080	35,876
2021-2023			16,432	17,937
Total	<u>\$31,980</u>	<u>\$418,846</u>	<u>\$98,592</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	High Street Pavement Improvement OPWC Loan
2011	\$7,500	\$8,750	\$6,148	\$7,500
2012	7,500	8,750	6,148	7,500
2013	7,500	8,750	6,148	7,500
2014	7,500	8,750	6,148	7,500
2015	7,500	8,750	6,148	7,500
2016-2020	37,500	43,750	30,739	37,500
2021-2025	11,250	21,875	24,590	37,500
2026-2028				11,250
Total	<u>\$86,250</u>	<u>\$109,375</u>	<u>\$86,069</u>	<u>\$123,750</u>

Year ending December 31:	New, Seventh, High, King & Burton Streets OPWC Loan	Second and East Streets OPWC Loan	Senior Community Center USDA Loan	TOTALS
2011	\$6,688	\$6,764	\$30,228	\$170,225
2012	6,688	6,764	30,284	138,301
2013	6,688	6,764	30,221	138,238
2014	6,688	6,764	30,285	138,302
2015	6,688	6,764	30,224	138,241
2016-2020	33,430	33,818	151,255	617,414
2021-2025	33,430	33,818	151,197	348,029
2026-2030	26,772	27,054	151,222	216,298
2031-2033			90,702	90,702
Total	<u>\$127,072</u>	<u>\$128,510</u>	<u>\$695,618</u>	<u>\$1,995,750</u>

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, 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 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

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.

This page intentionally left blank.



Dave Yost • 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, 2010 and December 31, 2009, and have issued our report thereon dated August 5, 2011, 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 also noted the Village processes its financial transactions for 2010 with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 did note a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 5, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

August 5, 2011



Dave Yost • 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
SEPTEMBER 8, 2011