



**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2002 & 2001**



**Auditor of State  
Betty Montgomery**



VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001 .....	6
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15

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**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS**

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, 2002 and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Fairport Harbor, Lake County, Ohio as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

April 21, 2003

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**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$1,339,719	\$60,277	\$0	\$0	\$13,857	\$1,413,853
State Shared Taxes and Permits	4,465	91,489	0	99,880	0	195,834
Special Assessments	0	84,121	78,132	0	0	162,253
Intergovernmental Receipts	33,635	35,908	0	295,522	1,620	366,685
Charges for Services	8,875	0	0	0	0	8,875
Fines, Licenses, and Permits	4,430	0	0	0	0	4,430
Earnings on Investments	16,344	0	0	0	0	16,344
Fines & Forfeitures	22,380	3,184	0	0	0	25,564
Contributions	122	0	0	0	0	122
Miscellaneous	55,564	250,376	0	0	0	305,940
<b>Total Cash Receipts</b>	<b>1,485,534</b>	<b>525,355</b>	<b>78,132</b>	<b>395,402</b>	<b>15,477</b>	<b>2,499,900</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	908,509	8,071	0	0	14,952	931,532
Public Health Services	14,631	0	0	0	0	14,631
Leisure Time Activities	12,525	0	0	0	0	12,525
Contractual Services	8,339	2,567	2,740	429,885	0	443,531
Community Development	6,310	0	0	0	0	6,310
Transportation	328,191	90,874	0	0	0	419,065
General Government	462,628	0	0	0	0	462,628
Materials & Supplies	548	2,216	0	0	0	2,764
Utilities	0	4,204	0	0	0	4,204
Personal Services	0	42,638	0	0	0	42,638
Fringe Benefits	0	1,971	0	0	0	1,971
Debt Service:						
Principal Payments	0	0	116,353	0	0	116,353
Interest Payments	0	0	75,627	0	0	75,627
Capital Outlay	15,909	187,497	0	0	0	203,406
<b>Total Cash Disbursements</b>	<b>1,757,590</b>	<b>340,038</b>	<b>194,720</b>	<b>429,885</b>	<b>14,952</b>	<b>2,737,185</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(272,056)</b>	<b>185,317</b>	<b>(116,588)</b>	<b>(34,483)</b>	<b>525</b>	<b>(237,285)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	0	11,000	95,539	33,168	0	139,707
Advances-In	63,600	0	0	63,600	0	127,200
Transfers-Out	(40,168)	0	0	0	0	(40,168)
Advances-Out	(63,600)	0	0	(63,600)	0	(127,200)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(40,168)</b>	<b>11,000</b>	<b>95,539</b>	<b>33,168</b>	<b>0</b>	<b>99,539</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(312,224)</b>	<b>196,317</b>	<b>(21,049)</b>	<b>(1,315)</b>	<b>525</b>	<b>(137,746)</b>
<b>Fund Cash Balances, January 1, 2002</b>	<b>767,364</b>	<b>71,382</b>	<b>63,006</b>	<b>2,338</b>	<b>268</b>	<b>904,358</b>
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$455,140</b>	<b>\$267,699</b>	<b>\$41,957</b>	<b>\$1,023</b>	<b>\$793</b>	<b>\$766,612</b>
<b>Reserves for Encumbrances, December 31, 2002</b>	<b>\$51,252</b>	<b>\$20,402</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,654</b>

*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  
- ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$589,920	\$0	\$589,920
Total Operating Cash Receipts	<u>589,920</u>	<u>0</u>	<u>589,920</u>
<b>Operating Cash Disbursements:</b>			
Contractual Services	922	0	922
Basic Utility Services	533,777	0	533,777
Total Operating Cash Disbursements	<u>534,699</u>	<u>0</u>	<u>534,699</u>
Operating Income/(Loss)	<u>55,221</u>	<u>0</u>	<u>55,221</u>
<b>Non-Operating Cash Receipts:</b>			
Interest Earnings	6,061	0	6,061
Other Non-Operating Receipts	0	30,241	30,241
Total Non-Operating Cash Receipts	<u>6,061</u>	<u>30,241</u>	<u>36,302</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	0	29,509	29,509
Total Non-Operating Cash Disbursements	<u>0</u>	<u>29,509</u>	<u>29,509</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>61,282</u>	<u>732</u>	<u>62,014</u>
Transfers-Out	<u>(99,539)</u>	<u>0</u>	<u>(99,539)</u>
Net Receipts Over/(Under) Disbursements	(38,257)	732	(37,525)
Fund Cash Balances, January 1, 2002	<u>380,977</u>	<u>1,943</u>	<u>382,920</u>
<b>Fund Cash Balances, December 31, 2002</b>	<b><u>\$342,720</u></b>	<b><u>\$2,675</u></b>	<b><u>\$345,395</u></b>
Reserve for Encumbrances, December 31, 2002	<u>\$31,407</u>	<u>\$0</u>	<u>\$31,407</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 - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$1,415,881	\$0	\$39,515	\$0	\$12,746	\$1,468,142
State Shared Taxes and Permits	7,720	88,543	0	0	0	96,263
Special Assessments	0	71,344	77,133	0	0	148,477
Intergovernmental Receipts	33,142	13,770	4,925	409,115	1,589	462,541
Charges for Services	8,600	0	0	0	0	8,600
Fines, Licenses, and Permits	3,527	0	0	0	0	3,527
Earnings on Investments	64,995	0	0	0	0	64,995
Fines & Forfeitures	15,508	523	0	0	0	16,031
Contributions	250	0	0	0	0	250
Miscellaneous	54,584	0	0	0	0	54,584
<b>Total Cash Receipts</b>	<b>1,604,207</b>	<b>174,180</b>	<b>121,573</b>	<b>409,115</b>	<b>14,335</b>	<b>2,323,410</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	759,624	0	0	0	16,137	775,761
Public Health Services	13,499	0	0	0	0	13,499
Leisure Time Activities	10,442	0	0	0	0	10,442
Contractual Services	13,185	0	3,213	545,367	0	561,765
Transportation	342,111	83,051	0	0	0	425,162
General Government	425,012	0	0	0	150	425,162
Materials & Supplies	66	0	0	0	0	66
Personal Services	0	33,354	0	0	0	33,354
Fringe Benefits	0	3,274	0	0	0	3,274
Debt Service:						
Principal Payments	0	0	102,064	0	0	102,064
Interest Payments	0	0	55,660	0	0	55,660
Capital Outlay	58,641	84,639	0	15,037	0	158,317
<b>Total Cash Disbursements</b>	<b>1,622,580</b>	<b>204,318</b>	<b>160,937</b>	<b>560,404</b>	<b>16,287</b>	<b>2,564,526</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(18,373)</b>	<b>(30,138)</b>	<b>(39,364)</b>	<b>(151,289)</b>	<b>(1,952)</b>	<b>(241,116)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	0	37,830	61,529	88,298	0	187,657
Advances-In	30,000	0	0	35,459	0	65,459
Transfers-Out	(106,030)	0	0	0	0	(106,030)
Advances-Out	(35,459)	0	0	(30,000)	0	(65,459)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(111,489)</b>	<b>37,830</b>	<b>61,529</b>	<b>93,757</b>	<b>0</b>	<b>81,627</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(129,862)	7,692	22,165	(57,532)	(1,952)	(159,489)
Fund Cash Balances, January 1, 2001	897,226	63,690	40,841	59,870	2,220	1,063,847
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$767,364</b>	<b>\$71,382</b>	<b>\$63,006</b>	<b>\$2,338</b>	<b>\$268</b>	<b>\$904,358</b>
Reserves for Encumbrances, December 31, 2001	\$181,476	\$14,032	\$0	\$11,972	\$0	\$207,480

*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  
- ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$551,171	\$0	\$551,171
Total Operating Cash Receipts	551,171	0	551,171
<b>Operating Cash Disbursements:</b>			
Contractual Services	935	0	935
Basic Utility Services	453,332	0	453,332
Total Operating Cash Disbursements	454,267	0	454,267
Operating Income/(Loss)	96,904	0	96,904
<b>Non-Operating Cash Receipts:</b>			
Interest Earnings	21,910	0	21,910
Other Non-Operating Receipts	0	20,259	20,259
Total Non-Operating Cash Receipts	21,910	20,259	42,169
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	0	18,853	18,853
Total Non-Operating Cash Disbursements	0	18,853	18,853
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	118,814	1,406	120,220
Transfers-Out	(81,627)	0	(81,627)
Net Receipts Over/(Under) Disbursements	37,187	1,406	38,593
Fund Cash Balances, January 1, 2001	343,790	537	344,327
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$380,977</b>	<b>\$1,943</b>	<b>\$382,920</b>
Reserve for Encumbrances, December 31, 2001	\$42,556	\$0	\$42,556

*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, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Fairport Harbor, Lake County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities, 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.

**B. Basis of Accounting**

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investments in Star Ohio (the State Treasurer's investment pool) in valued at amounts reported by the State Treasurer.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from 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.

**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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. The Village took over the Senior Center operations in 2002.

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of bonds and loan indebtedness.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Fund:

New Street Waterline/Pavement Funds - This fund is used to account for the improvements to New Street.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund is used to account for charges for services from residents to cover the cost of providing this utility.

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

**Expendable Trust Fund**

Police Disability & Pension Fund - This fund receives property tax monies which are used to provide services to the residents

**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Agency Fund**

Mayor's Court Fund - This fund 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.

**3. Encumbrances**

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$688,013	\$871,091
Total deposits	688,013	871,091
 STAR Ohio	 423,994	 416,187
Total investments	423,994	416,187
Total deposits and investments	\$1,112,007	\$1,287,278

**Deposits:** Deposits are either 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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,478,040	\$1,485,534	\$7,494
Special Revenue	548,386	536,355	(12,031)
Debt Service	169,750	173,671	3,921
Capital Projects	983,288	428,570	(554,718)
Enterprise	564,100	595,981	31,881
Expendable Trust	15,680	15,477	(203)
Total	\$3,759,244	\$3,235,588	(\$523,656)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,020,468	\$1,849,010	\$171,458
Special Revenue	562,605	360,440	202,165
Debt Service	215,150	194,720	20,430
Capital Projects	985,625	429,885	555,740
Enterprise	762,056	665,645	96,411
Expendable Trust	15,946	14,952	994
Total	\$4,561,850	\$3,514,652	\$1,047,198

**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**3. BUDGETARY ACTIVITY (Continued)**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,533,578	\$1,604,207	\$70,629
Special Revenue	257,498	212,010	(45,488)
Debt Service	216,008	183,102	(32,906)
Capital Projects	949,339	497,413	(451,926)
Enterprise	587,000	573,081	(13,919)
Expendable Trust	14,819	14,335	(484)
Total	<u>\$3,558,242</u>	<u>\$3,084,148</u>	<u>(\$474,094)</u>

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,033,942	\$1,910,086	\$123,856
Special Revenue	317,335	218,350	98,985
Debt Service	212,100	160,937	51,163
Capital Projects	985,259	572,376	412,883
Enterprise	609,086	578,450	30,636
Expendable Trust	16,943	16,287	656
Total	<u>\$4,174,665</u>	<u>\$3,456,486</u>	<u>\$718,179</u>

**4. PROPERTY TAX**

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

**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
High & Water Street General Obligation Bonds	\$30,000	10.00%
High & Water Street Special Assessment Bonds	270,000	6.60%
OWDA Loan - High & Water Street	264,067	7.65%
OWDA Loan - Backwash Project	599,779	3.50%
OPWC - Loan Water Storage Tank Repairs	120,635	3.00%
OPWC - Loan Water Valve Replacements	101,296	3.00%
OPWC - Loan New Street Improvements	146,250	0.00%
Total	<u>\$1,532,027</u>	

The Ohio Water Development Authority (OWDA) loan for High and Water Streets relates to water and sewer improvement projects. OWDA issued the 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 General Obligation Bonds relate to the reconstruction of High and Water Streets. The bonds were issued in 1984 and will be repaid in semiannual installments, including interest, over 20 years.

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

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

The Ohio Public Works Commission 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.



**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**6. DEBT (Continued)**

The Ohio Public Works Commission 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. The loan will be repaid in semi-annual payments of \$3,500, including interest over 20 years

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

Year ending December 31:	High & Water Street - General Obligation Bonds	High & Water Street - Special Assessment Bonds	High & Water Street OWDA Loan	Backwash Project OWDA Loan
2003	\$18,000	\$47,820	\$56,517	\$49,276
2004	16,500	45,840	56,517	49,276
2005		43,860	56,517	49,276
2006		41,880	56,517	49,276
2007		39,900	56,517	49,276
2008-2012		139,800	56,517	246,380
2013-2017				246,380
2018-2022				49,276
Total	<u>\$34,500</u>	<u>\$359,100</u>	<u>\$339,102</u>	<u>\$788,416</u>

Year ending December 31:	Water Storage Tank Repair OPWC-Loan	Water Distrib. Valve Replace. OPWC-Loan	New Street Waterline OPWC-Loan	TOTALS
2003	\$8,216	\$7,175	\$7,500	\$194,504
2004	8,216	7,175	7,500	191,024
2005	8,216	7,175	7,500	172,544
2006	8,216	7,175	7,500	170,564
2007	8,216	7,175	7,500	168,584
2008-2012	41,080	35,875	37,500	557,152
2013-2017	41,080	35,875	37,500	360,835
2018-2022	36,972	25,112	33,750	145,110
Total	<u>\$160,212</u>	<u>\$132,737</u>	<u>\$146,250</u>	<u>\$1,960,317</u>

**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Commercial Insurance**

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.

**9. NORTHEAST OHIO PUBLIC ENERGY COUNCIL**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). 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 104 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas 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 and natural gas 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 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. The Village did not contribute to NOPEC during 2001 or 2002. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.



## **Auditor of State Betty Montgomery**

### **REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2002 and December 31, 2001, and have issued our report thereon dated April 21, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 21, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 21, 2003.

Village of Fairport Harbor  
Lake County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

April 21, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MAY 27, 2003**