



**Mary Taylor, CPA**  
Auditor of State



**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

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# Mary Taylor, CPA

Auditor of State

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

To the Board of Trustees:

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 30, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Fairport Harbor Port Authority, Lake County, Ohio, (the Authority) as of and for the years ended December 31, 2007 and December 31, 2006. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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 Authority 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.

GAAP requires presenting entity wide statements and also presenting the Authority's larger (i.e. major) funds separately. While the Authority 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 port authorities to reformat their statements. The Authority 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, 2007 and December 31, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2007 and December 31, 2006, 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 fund cash balances of the Fairport Harbor Port Authority, Lake County, as of December 31, 2007 and December 31, 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Authority 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 30, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

September 30, 2008



**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

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

	<b>Governmental Fund Type</b>
	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental	\$8,344
Investment Earnings	181
Charges for Services	88,231
Total Cash Receipts	96,756
<b>Cash Disbursements:</b>	
Current:	
General Government	58,893
Capital Outlay	9,610
Total Cash Disbursements	68,503
Total Receipts Over/(Under) Disbursements	28,253
Fund Cash Balances, January 1, 2007	66,976
<b>Fund Cash Balances, December 31, 2007</b>	<b>\$95,229</b>

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

**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Governmental Fund Type</b>
	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental	\$3,395
Investment Earnings	105
Charges for Services	62,925
Total Cash Receipts	66,425
<b>Cash Disbursements:</b>	
Current:	
General Government	63,873
Capital Outlay	20,000
Total Cash Disbursements	83,873
Total Receipts Over/(Under) Disbursements	(17,448)
Fund Cash Balances, January 1, 2006	84,424
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$66,976</b>

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

**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Fairport Harbor Port Authority, Lake County, Ohio, (the Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority operates under the direction of a five-member Board of Directors, appointed by the Mayor with the consent of the Council of the Village of Fairport Harbor. The Authority's operations involve the authorization to purchase, construct, sell, lease, and operate docks, wharfs, piers, warehouses, and other port terminal or transportation facilities within its jurisdiction as enumerated in Ohio Revised Code Chapter 4582.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority 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**

Certificates of deposits are valued at cost.

**D. 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 level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

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

**D. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**F. Fund Accounting**

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

**General Fund**

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

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

The Authority maintains a cash and investments pool 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:

	2007	2006
Demand deposits	\$ 20,229	\$ 36,976
Certificates of deposit	75,000	30,000
Total deposits	\$ 95,229	\$ 66,976

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2005:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,081	\$96,756	\$25,675

**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,000	\$68,503	\$6,497

Budgetary activity for the year ending 2006:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,000	\$66,425	(\$3,575)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,000	\$83,873	\$6,127

**4. RETIREMENT SYSTEMS**

The Authority's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Authority contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Authority has paid all contributions required through December 31, 2007.

**6. RISK MANAGEMENT**

The Authority has obtained commercial insurance for the following risks:

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

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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*

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

To the Board of Directors:

We have audited the financial statements of the Fairport Harbor Port Authority, Lake County, Ohio, (the Authority) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated September 30, 2008, wherein we noted that the Authority prepared its financial statements using accounting practices the Auditor of State established 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 audits, we considered the Authority'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 Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority'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 Authority'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 Authority'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 Authority'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 Authority's management in a separate letter dated September 30, 2008.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Authority'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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted a certain noncompliance or other matter that we reported to the Authority's management in a separate letter dated September 30, 2008.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, and the Board of Directors. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

September 30, 2008



**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citations**

**Annual Appropriation Measure**

Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Authority did not file its appropriations with the County Auditor for fiscal year 2006.

We recommend the Authority file appropriations for each fiscal year in accordance with the above guidelines.

**Officials Response:**

The Port Authority will file appropriations with the County Auditor in the future.

**FINDING NUMBER 2007- 002**

**Financial Report Filing**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within sixty days after the close of the fiscal year for those public offices not reporting pursuant to generally accepted accounting principles. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part, this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03(D) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all local public offices shall file their annual financial reports with the Auditor of State, including notes to the financial statements.

The Authority did not file its financial statements for the year ended December 31, 2006 as required above.

We recommend the Authority organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Authority may be assessed a late filing penalty.

**Officials Response:**

The Port Authority will comply with this reporting requirement in the future.

**FAIRPORT HARBOR PORT AUTHORITY  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	ORC 5705.39 – The Authority did not file annual appropriations with the county auditor.	No	Repeated as Finding 2007-001



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Auditor of State

**FAIRPORT HARBOR PORT AUTHORITY**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 16, 2008**