



Dave Yost • Auditor of State

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Fairport Harbor, Lake County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Fairport Harbor, Lake County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Fairport Harbor adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 14, 2013

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$441,383	\$146,247	\$0	\$0	\$587,630
Municipal Income Tax	648,790	0	0	0	648,790
Intergovernmental	516,476	123,332	0	61,110	700,918
Special Assessments	0	88,858	436	0	89,294
Charges for Services	155,531	22,515	0	0	178,046
Fines, Licenses and Permits	99,748	4,373	0	0	104,121
Earnings on Investments	3,391	0	0	0	3,391
Miscellaneous	53,265	22,794	0	3,000	79,059
<i>Total Cash Receipts</i>	<u>1,918,584</u>	<u>408,119</u>	<u>436</u>	<u>64,110</u>	<u>2,391,249</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,088,287	84,400	0	0	1,172,687
Public Health Services	20,334	0	0	0	20,334
Leisure Time Activities	5,546	90,516	0	2,451	98,513
Community Environment	37,764	0	0	0	37,764
Basic Utility Services	0	0	0	33,688	33,688
Transportation	75,251	121,465	0	176,799	373,515
General Government	569,271	2,072	0	0	571,343
Capital Outlay	0	0	0	50,000	50,000
Debt Service:					
Principal Retirement	0	0	26,364	0	26,364
Interest and Fiscal Charges	0	0	18,135	0	18,135
<i>Total Cash Disbursements</i>	<u>1,796,453</u>	<u>298,453</u>	<u>44,499</u>	<u>262,938</u>	<u>2,402,343</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>122,131</u>	<u>109,666</u>	<u>(44,063)</u>	<u>(198,828)</u>	<u>(11,094)</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	0	44,498	90,922	135,420
Transfers Out	(100,632)	(30,235)	0	0	(130,867)
Advances In	25,165	165	0	25,000	50,330
Advances Out	(25,165)	(165)	0	(25,000)	(50,330)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(100,632)</u>	<u>(30,235)</u>	<u>44,498</u>	<u>90,922</u>	<u>4,553</u>
<i>Net Change in Fund Cash Balances</i>	21,499	79,431	435	(107,906)	(6,541)
<i>Fund Cash Balances, January 1</i>	<u>1,070,410</u>	<u>227,001</u>	<u>6,833</u>	<u>110,408</u>	<u>1,414,652</u>
Fund Cash Balances, December 31					
Restricted	22,900	306,432	7,268	2,502	339,102
Committed	229,168	0	0	0	229,168
Assigned	9,825	0	0	0	9,825
Unassigned (Deficit)	830,016	0	0	0	830,016
<i>Fund Cash Balances, December 31</i>	<u>\$1,091,909</u>	<u>\$306,432</u>	<u>\$7,268</u>	<u>\$2,502</u>	<u>\$1,408,111</u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$569,614	\$0	\$569,614
Miscellaneous	4,595	0	4,595
<i>Total Operating Cash Receipts</i>	<u>574,209</u>	<u>0</u>	<u>574,209</u>
Operating Cash Disbursements			
Personal Services	197,962	0	197,962
Employee Fringe Benefits	72,023	0	72,023
Contractual Services	95,872	0	95,872
Supplies and Materials	58,954	0	58,954
<i>Total Operating Cash Disbursements</i>	<u>424,811</u>	<u>0</u>	<u>424,811</u>
<i>Operating Income (Loss)</i>	<u>149,398</u>	<u>0</u>	<u>149,398</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(18,101)	0	(18,101)
Principal Retirement	(80,111)	0	(80,111)
Interest and Other Fiscal Charges	(14,176)	0	(14,176)
Other Financing Sources	0	31,846	31,846
Other Financing Uses	0	(31,196)	(31,196)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(112,388)</u>	<u>650</u>	<u>(111,738)</u>
<i>Income (Loss) before Transfers</i>	37,010	650	37,660
Transfers In	94,287	0	94,287
Transfers Out	(98,840)	0	(98,840)
<i>Net Change in Fund Cash Balances</i>	32,457	650	33,107
<i>Fund Cash Balances, January 1</i>	<u>250,738</u>	<u>683</u>	<u>251,421</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$283,195</u></u>	<u><u>\$1,333</u></u>	<u><u>\$284,528</u></u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$431,057	\$152,212	\$0	\$0	\$583,269
Municipal Income Tax	770,434	0	0	0	770,434
Intergovernmental	470,479	121,095	0	28,998	620,572
Special Assessments	0	76,086	32,302	0	108,388
Charges for Services	144,731	15,875	0	0	160,606
Fines, Licenses and Permits	93,386	4,947	0	0	98,333
Earnings on Investments	5,460	0	0	0	5,460
Miscellaneous	74,067	22,040	0	108,694	204,801
<i>Total Cash Receipts</i>	<u>1,989,614</u>	<u>392,255</u>	<u>32,302</u>	<u>137,692</u>	<u>2,551,863</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,135,711	84,453	0	0	1,220,164
Public Health Services	20,993	0	0	0	20,993
Leisure Time Activities	475	97,117	0	0	97,592
Community Environment	35,696	0	0	0	35,696
Basic Utility Services	0	0	0	12,276	12,276
Transportation	162,571	98,856	0	63,407	324,834
General Government	517,351	2,794	971	0	521,116
Debt Service:					
Principal Retirement	0	0	55,864	0	55,864
Interest and Fiscal Charges	0	0	20,608	0	20,608
<i>Total Cash Disbursements</i>	<u>1,872,797</u>	<u>283,220</u>	<u>77,443</u>	<u>75,683</u>	<u>2,309,143</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>116,817</u>	<u>109,035</u>	<u>(45,141)</u>	<u>62,009</u>	<u>242,720</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	0	44,491	47,142	91,633
Transfers Out	(61,362)	(30,228)	0	0	(91,590)
Advances In	15,000	15,000	0	0	30,000
Advances Out	(15,000)	(15,000)	0	0	(30,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(61,362)</u>	<u>(30,228)</u>	<u>44,491</u>	<u>47,142</u>	<u>43</u>
<i>Net Change in Fund Cash Balances</i>	55,455	78,807	(650)	109,151	242,763
<i>Fund Cash Balances, January 1</i>	<u>1,014,955</u>	<u>148,194</u>	<u>7,483</u>	<u>1,257</u>	<u>1,171,889</u>
Fund Cash Balances, December 31					
Restricted	0	227,001	6,833	110,408	344,242
Committed	254,508	0	0	0	254,508
Assigned	14,065	0	0	0	14,065
Unassigned (Deficit)	801,837	0	0	0	801,837
<i>Fund Cash Balances, December 31</i>	<u>\$1,070,410</u>	<u>\$227,001</u>	<u>\$6,833</u>	<u>\$110,408</u>	<u>\$1,414,652</u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$547,249	\$0	\$547,249
Miscellaneous	12,396	0	12,396
<i>Total Operating Cash Receipts</i>	<u>559,645</u>	<u>0</u>	<u>559,645</u>
Operating Cash Disbursements			
Personal Services	197,839	0	197,839
Employee Fringe Benefits	63,249	0	63,249
Contractual Services	97,063	0	97,063
Supplies and Materials	52,585	0	52,585
<i>Total Operating Cash Disbursements</i>	<u>410,736</u>	<u>0</u>	<u>410,736</u>
<i>Operating Income (Loss)</i>	<u>148,909</u>	<u>0</u>	<u>148,909</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	1	0	1
Principal Retirement	(77,910)	0	(77,910)
Interest and Other Fiscal Charges	(15,843)	0	(15,843)
Other Financing Sources	0	32,510	32,510
Other Financing Uses	0	(32,567)	(32,567)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(93,752)</u>	<u>(57)</u>	<u>(93,809)</u>
<i>Income (Loss) before Transfers</i>	55,157	(57)	55,100
Transfers In	(93,795)	0	(93,795)
Transfers Out	93,752	0	93,752
<i>Net Change in Fund Cash Balances</i>	55,114	(57)	55,057
<i>Fund Cash Balances, January 1</i>	<u>195,624</u>	<u>740</u>	<u>196,364</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$250,738</u></u>	<u><u>\$683</u></u>	<u><u>\$251,421</u></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, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

Northeast Ohio Public Energy Council

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC in 2012 or 2011. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, 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. Deposits 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, 2012 AND 2011
(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 and certificates of deposit are 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

General Obligation Bond Retirement Fund - This fund receives funds to pay the General Obligation of the Village.

Special Assessment Debt Fund -This fund receives special assessment monies to pay the special assessment debt.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. Fund Accounting (Continued)

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

CDBG Fund - This fund is used to account for the sidewalk curb ramp project.

King Street Improvement Fund – This fund is used to account for pavement improvements to King Street.

5. Enterprise Funds

These funds account 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.

7. 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 Mayor's Court activity.

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.

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

For fiscal year 2011, the Village adopted *Government Accounting Standards Board Statement No. 54*. Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 Deposits and Investments

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

	2012	2011
Demand deposits	\$680,707	\$418,925
Certificates of deposit	1,000,474	1,235,699
Total deposits	1,681,182	1,654,624
STAR Ohio	11,458	11,449
Total deposits and investments	\$1,692,639	\$1,666,073

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, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,721,035	\$1,918,584	\$197,549
Special Revenue	401,685	408,120	6,435
Debt Service	45,000	44,934	(66)
Capital Projects	410,539	155,032	(255,507)
Enterprise	654,000	668,496	14,496
Total	\$3,232,259	\$3,195,166	(\$37,093)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,244,457	\$1,897,085	\$347,372
Special Revenue	508,100	328,688	179,412
Debt Service	45,000	44,499	501
Capital Projects	377,881	262,938	114,943
Enterprise	783,800	636,039	147,761
Total	\$3,959,238	\$3,169,249	\$789,989

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,772,432	\$1,989,614	\$217,182
Special Revenue	400,504	392,255	(8,249)
Debt Service	87,000	76,793	(10,207)
Capital Projects	387,000	184,834	(202,166)
Enterprise	637,050	653,397	16,347
Fiduciary	176,000	0	(176,000)
Total	\$3,459,986	\$3,296,893	(\$163,093)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,521,107	\$1,934,159	\$586,948
Special Revenue	448,170	313,448	134,722
Debt Service	81,400	77,443	3,957
Capital Projects	275,000	75,683	199,317
Enterprise	677,720	598,283	79,437
Fiduciary	100,000	0	100,000
Total	\$4,103,397	\$2,999,016	\$1,104,381

The Village does not and is not required to budget for the court agency fund.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

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

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

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

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - Backwash Project	\$ 264,598	3.50%
OPWC Loan - Water Storage Tank Repairs	67,481	3.00%
OPWC Loan - Water Valve Replacements	53,479	3.00%
OPWC Loan - New Street Waterline	71,250	0.00%
OPWC Loan - Plum Street Phase 1	91,875	0.00%
OPWC Loan - Plum Street Phase 2	73,773	0.00%
OPWC Loan - High Street Pavement Improvement	108,750	0.00%
OPWC Loan - New, Seventh, King and Burton	113,696	0.00%
OPWC Loan - Second and East	114,983	0.00%
OPWC Loan - King Street Improvement	62,000	0.00%
OPWC Loan - Water System Improvements	20,833	0.00%
USDA Loan - Senior Community Center	414,600	4.25%
Total	<u>\$ 1,457,318</u>	

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.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

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 Burton Street Improvements relates to water system improvements on 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 water system improvements on those two streets. OPWC issued the loan in 2009 for \$135,274. This loan will be repaid in semi-annual payments of \$6,764.

The OPWC loan for Water System Improvements relates to improvements to the water system. OPWC issued the loan in 2012 for \$21,367. This loan will be repaid in semi-annual payments of \$534.

The OPWC loan for King Street Improvements relates to water system improvements on this street. OPWC issued the loan in 2012 and finalized in 2013 for \$62,000. This loan will be repaid in semi-annual payments of \$1,550.

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

Year ending December 31:	Backwash Project OWDA Loan	Water Storage Tank Repair OPWC Loan	Water Distribution Valve Replacement	New Street Waterline OPWC Loan
2013	\$49,276	\$8,216	\$7,175	\$7,500
2014	49,276	8,216	7,175	7,500
2015	49,276	8,216	7,175	7,500
2016	49,276	8,216	7,175	7,500
2017	49,276	8,216	7,175	7,500
2018-2022	49,276	36,976	25,114	33,750
Total	<u>\$295,656</u>	<u>\$78,056</u>	<u>\$60,989</u>	<u>\$71,250</u>

Year ending December 31:	Plum Street Improvement Phase 1 OPWC Loan	Plum Street Improvement Phase 2 OPWC Loan	High Street Pavement Improvement OPWC Loan	New, Seventh, High, King & Burton Streets OPWC Loan
2013	\$8,750	\$6,148	\$7,500	\$6,688
2014	8,750	6,148	7,500	6,688
2015	8,750	6,148	7,500	6,688
2016	8,750	6,148	7,500	6,688
2017	8,750	6,148	7,500	6,688
2018-2022	43,750	30,740	37,500	33,430
2023-2027	4,375	12,293	33,750	33,430
2028-2032				13,376
Total	<u>\$91,875</u>	<u>\$73,773</u>	<u>\$108,750</u>	<u>\$113,676</u>

Year ending December 31:	Second and East Streets OPWC Loan	King Street OPWC Loan	Water System Improvement	Senior Community Center USDA Loan	TOTALS
2013	\$6,764	\$3,100	\$534	\$30,221	\$142,406
2014	6,764	3,100	1,068	30,285	142,470
2015	6,764	3,100	1,068	30,224	142,409
2016	6,764	3,100	1,068	30,285	142,470
2017	6,764	3,100	1,069	30,234	142,420
2018-2022	33,818	15,500	5,342	151,259	496,455
2023-2027	33,818	15,500	5,342	151,184	289,692
2028-2032	13,527	15,500	5,342	151,192	198,403
2033				30,233	30,233
Total	<u>\$114,983</u>	<u>\$62,000</u>	<u>\$20,833</u>	<u>\$635,117</u>	<u>\$1,726,958</u>

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2012 and 2011, 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, 2012.

Effective August 3, 1992, new part-time village fire-fighters and all emergency medical staff are no longer covered by Public Employees Retirement System and must contribute to social security. The Village's liability is 6.2 percent of wages paid.

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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Fairport Harbor, Lake County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2013, wherein we noted the Village followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. Also, during 2011, the Village also implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

October 14, 2013



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
NOVEMBER 7, 2013**