



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Village Council, Mayor and the management of the Village of Fairport Harbor, Lake County, Ohio (the Village), on the receipts, disbursements and balances recorded in the Villages cash basis accounting records for the years ended December 31, 2016 and 2015 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Village. The Village is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2016 and 2015 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Village. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash and Investments

1. We recalculated the December 31, 2016 and December 31, 2015 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2015 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2014 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2016 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2015 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2016 and 2015 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2016 bank account balances with the Village's financial institutions. We found no exceptions. For the STAROhio account, we observed the year-end balance on the financial institution's website. The balance agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2016 bank reconciliation. The amounts agreed except for one 2016 bank confirmation which was \$280 more than the balance reported by the Village. This was due to unrecorded interest. We recommend that management complete the reconciliations so that the ending cash balance agrees to the amount on the bank statements of the Village at month end.

**Cash and Investments – (Continued)**

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2016 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We found no exceptions.
6. We traced interbank account transfers occurring in December of 2016 and 2015 to the accounting records and bank statements to determine if they were properly recorded. We found no exceptions.
7. We inspected investments held at December 31, 2016 and December 31, 2015 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We found no exceptions.

**Property Taxes, Intergovernmental and Other Confirmable Cash Receipts**

1. We haphazardly selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2016 and one from 2015:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Receipt Register Report. We also traced the advances noted on the Statement to the Revenue Receipt Register Report. The amounts agreed.
  - b. We inspected the Revenue Receipt Register Report to confirm whether the receipt was allocated to the proper fund(s) as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We inspected the Revenue Receipt Register Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Revenue Receipt Register to determine whether it included two real estate tax receipts plus two advances for 2016 and 2015. The Revenue Receipts Register Report included the proper number of tax receipts for each year.
3. We haphazardly selected five receipts from the State Distribution Transaction Lists (DTL) from 2016 and five from 2015. We also haphazardly selected five receipts from the County Auditor's DTLs, Local Government Fund Distributions Report, from 2016 and five from 2015.
  - a. We compared the amount from the above reports to the amount recorded in the Revenue Receipt Register. The amounts agreed.
  - b. We inspected the Revenue Receipt Register Report to determine whether these receipts were allocated to the proper fund(s). We found no exceptions.
  - c. We inspected the Revenue Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

### **Income Tax Receipts**

We obtained the December 31, 2016 and 2015 Total Distributions reports submitted by the Regional Income Tax Agency (RITA), the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Revenue Receipt Register Report. The amounts agreed for 2016. For 2015, there were two receipts posted net of \$1,552 of deducted collection fees. We recommend income tax receipts be recorded gross of deducted collection fees.

### **Water and Sewer Fund**

1. We haphazardly selected 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2016 and 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2015 recorded in the Revenue Receipt Register Report and determined whether the:
  - a. Receipt amount per the Revenue Receipt Register Report agreed to the amount recorded to the credit of the customer's account in the Account History Report. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Account History Report for the billing period. We found no exceptions.
    - ii. Complied with rates in force during the audit. We found no exceptions.
  - c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.
2. We observed the Customer Account Aging Report.
  - a. This report listed \$93,564 and \$60,849 of accounts receivable as of December 31, 2016 and 2015, respectively.
  - b. Of the total receivables reported in the preceding step, \$24,676 and \$31,228 were recorded as more than 90 days delinquent.
3. We observed the Adjustment History Report.
  - a. This report listed a total of \$63,670 and \$47,663 non-cash receipts adjustments for the years ended December 31, 2016 and 2015, respectively.
  - b. We haphazardly selected five non-cash adjustments from 2016 and five non-cash adjustments from 2015, and observed that the Village Council did not approve each adjustment. The Village Council did not approve four out of the five selected adjustments from 2016, and did not approve three out of the five adjustments for 2015. We recommend Council approve all account adjustments.

**Debt**

1. From the prior audit documentation, we observed the following bonds and loans outstanding as of December 31, 2014. These amounts agreed to the Villages January 1, 2015 balances on the summary we used in step 3.

<u>Issue</u>	<b>Principal outstanding as of December 31, 2014:</b>
OWDA Loan – Backwash Project	\$182,444
OPWC Loan – Water Valve Replacement	42,085
OPWC Loan – Water Storage Tank Repairs	54,817
OPWC Loan – New Street Waterline	56,250
OPWC Loan – Plum Street Phase 1	74,375
OPWC Loan – Plum Street Phase 2	61,478
OPWC Loan – High Street Pavement Improvement	93,750
OPWC Loan – New, Seventh, King and Burton	100,320
OPWC Loan – Second and East	101,455
OPWC Loan – Water System Improvements	18,697
OPWC Loan - King Street Improvement	55,800
USDA Loan – Senior Community Center	388,800

2. We inquired of management, and scanned the Revenue Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2016 or 2015 or debt payment activity during 2016 or 2015. All debt observed agreed to the summary we used in step 3.
3. We obtained a summary of bonded debt activity for 2016 and 2015 and agreed principal and interest payments from the related debt amortization schedules to debt service fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. For new debt issued during 2016 and 2015, we inspected the debt legislation, noting the Village must use the proceeds to purchase three trucks and an emergency vehicle. We inspected the Payment Register Detail Report and observed the Village purchased a truck in March of 2015, purchased a truck in November 2015 and an emergency vehicle in August of 2016 as noted in the Schedule of Outstanding Debt.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2016 and one payroll check for five employees from 2015 from the Employee Wage Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Employee Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found the Fiscal Officer pay rate for 2016 was not documented as being approved by Council. We recommend Council specifically approve and documents all employee pay rates.
  - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
  - c. We inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as required by statute. We confirmed the payment was posted to the proper year. We found no exceptions.
  
2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2016 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2016. We observed the following:

<b>Withholding (plus employer share, where applicable)</b>	<b><u>Date Due</u></b>	<b><u>Date Paid</u></b>	<b><u>Amount Due</u></b>	<b><u>Amount Paid</u></b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2017	December 30, 2016	\$6,401	\$6,401
State income taxes	January 15, 2017	December 30, 2016	2,847	2,847
Village of Fairport Harbor income tax	January 15, 2017	December 30, 2016	2,504	2,504
OPERS retirement	January 30, 2017	December 30, 2016	18,672	18,672
OP&F retirement	January 31, 2017	December 30, 2016	9,569	9,569

3. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Employee Wage Detail Report:
  - a. Accumulated leave records
  - b. The employee's pay rate in effect as of the termination date
  - c. The Village's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

### Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Listing Report for the year ended December 31, 2016 and ten from the year ended December 31, 2015 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
  - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

### Mayors Court Transactions

1. We recalculated the December 31, 2016 and December 31, 2015 bank reconciliations. We found no exceptions.
2. We compared the reconciled cash totals as of December 31, 2016 and December 31, 2015 to the Mayor's Court Agency Fund balance reported in the Fund Status Reports. The balances agreed.
3. We agreed the totals per the bank reconciliations to the total of December 31, 2016 and 2015 listing of unpaid distributions as of each December 31. The amounts agreed.
4. We confirmed the December 31, 2016 bank account balances with the Mayor's Court financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2016 bank reconciliation without exception.
5. We selected the only deposit in transit from the December 31, 2016 bank reconciliation:
  - a. We traced the deposit to the credit appearing in the subsequent January bank statement. We found no exceptions.
  - b. We agreed this deposit amount to the court's cash book. The deposit in transit was recorded as a December receipt for the same amount recorded in the reconciliation.
6. We haphazardly selected five cases from the court cash book and agreed the payee and amount posted to the:
  - a. Duplicate receipt book.
  - b. Docket, including comparing the total fine paid to the judgment issued by the judge (i.e. mayor)
  - c. Case file.

The amounts recorded in the cash book, receipts book, docket and case file agreed.

7. From the cash book, we haphazardly selected one month from the year ended December 31, 2016 and one month from the year ended December 31, 2015 and determined whether:
  - a. The monthly sum of fines and costs collected for those months agreed to the amounts reported as remitted to the Village, State or other applicable government in the following month. We found no exceptions.
  - b. The totals remitted for these two months per the cash book agreed to the returned canceled checks. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the cash book.



### Compliance – Budgetary

1. We compared the total estimated receipts from the Amended Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General Fund, State Highway Fund and Senior Center Fund for the years ended December 31, 2016 and 2015. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$1,732,492 for 2016. However, the final *Amended Official Certificate of Estimated Resources* reflected \$2,404,741. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We inspected the appropriation measures adopted for 2016 and 2015 to determine whether, for the General Fund, State Highway Fund and Senior Center Fund, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2016 and 2015 for the following funds: General Fund, State Highway Fund and Senior Center Fund. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report, except for the General Fund for 2016. The Appropriation Status Report recorded appropriations for the General Fund of \$2,040,894 for 2016. However, the final *Appropriations* reflected \$2,490,893. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the *Final Appropriations* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General Fund, State Highway Fund and Senior Center Fund for the years ended December 31, 2016 and 2015. We observed no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2016 and 2015 for the General Fund, State Highway Fund and Senior Center Fund, as recorded in the Appropriation Status Report. We observed no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2016 and 2015. We also inquired of management regarding whether the Village received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. For funds existing in prior years, inspect the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established 2017 OCS 1-4. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.

### **Compliance – Budgetary – (Continued)**

8. We inspected the 2016 and 2015 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$100 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
9. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Village did not establish these reserves.
10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2016 and 2015 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. There were no funds having negative cash fund balances.

### **Compliance – Contracts & Expenditures**

We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2016 and 2015 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

### **Other Compliance**

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Village's deadline where the initial filing was filed on time but incomplete. We confirmed the Village filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the years ended December 31, 2016 and 2015 in the Hinkle system. There were no exceptions.
2. We inquired of the fiscal officer and/or inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html> ) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. The Fiscal Officer obtained the required training.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Village's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2016 and 2015, and certain compliance requirements related to these transactions and balances and 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 initial "D" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 26, 2017

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# 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 9, 2017