

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

**VILLAGE OF GRAFTON
LORAIN COUNTY**

Single Audit

For the Year Ended December 31, 2014

Regular Audit

For the Year Ended December 31, 2013

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Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Grafton
960 Main Street
Grafton, Ohio 44044

We have reviewed the *Independent Auditor's Report* of the Village of Grafton, Lorain County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Grafton is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 9, 2015

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**VILLAGE OF GRAFTON
LORAIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

August 14, 2015

Village of Grafton
Lorain County
960 Main Street
Grafton, Ohio 44044

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Grafton**, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 opinions.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grafton, Lorain County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. The Schedule of Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-10 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Village of Grafton
Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2014 and 2013
Unaudited

The discussion and analysis of the Village of Grafton's (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2014 and 2013, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2014 and 2013 are as follows:

Overall:

- For governmental activities in 2013, net position increased \$414,763 which represents a 17 percent increase from 2012.
- For 2013, general receipts accounted for \$1,751,661 in receipts or 72 percent of all governmental receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$689,942 or 28 percent of total governmental receipts of \$2,441,603.
- For 2013, the Village had \$2,026,840 in disbursements related to governmental activities; only \$689,942 of these disbursements were offset by program specific charges for services, grants, contributions or interest. General receipts (primarily municipal taxes) of \$1,751,661 were adequate to provide for these programs.
- For 2013, the general fund had \$1,595,362 in receipts and \$1,433,508 in disbursements. The General Fund's fund balance increased to \$1,605,005 from \$1,456,033.
- For 2013 business-type activities, program receipts were \$5,718,117. These offset disbursements of \$5,125,360.
- For governmental activities in 2014, net position increased \$233,030 which represents an 8 percent increase from 2013.
- For 2014, general receipts accounted for \$4,758,612 in receipts or 56 percent of all governmental receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$3,731,686 or 44 percent of total governmental receipts of \$8,490,298.
- For 2014, the Village had \$8,267,268 in disbursements related to governmental activities; only \$3,731,686 of these disbursements were offset by program specific charges for services, grants, contributions or interest. General receipts (primarily municipal taxes and loan proceeds) of \$4,758,612 were adequate to provide for these programs.
- For 2014, the general fund had \$1,593,404 in receipts and \$1,284,951 in disbursements. The General Fund's fund balance increased to \$1,312,944 from \$1,605,005.

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- For 2014 business-type activities, program receipts were \$5,709,098. These offset disbursements of \$5,491,538.

Using these Cash Basis Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Village, presenting an aggregate view of the Village finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed. The fund financial statements also look at the Village's most significant funds with all other non-major funds presented in total in one column. In the case of the Village of Grafton, the General Fund, Capital Improvement OWDA Sewer Fund and Capital Improvement Fund by far are the most significant governmental funds.

Reporting the Village as a Whole

Statement of Net Position and the Statement of Activities

The Statements of Net Position and the Statements of Activities reflect how the Village did financially during 2014 and 2013, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These two statements report the Village's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the Village as a whole, the *financial position* of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

In the Statement of Net Position and the Statement of Activities, the Village has two kinds of activities:

- Governmental Activities - Most of the Village's programs and services are reported here including, general government, security of persons and property, public health services, leisure time activities, community environment, basic utility services, and transportation.
- Business-type activities – The Village has a number of business-type activities which are financed by fees charged to the customers receiving the services.

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Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the Village's major funds begins on page 13. Fund financial statements provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the Village's most significant funds. The Village's major governmental funds are the General Fund and the Capital Improvement Fund for 2013, with the addition of the Capital Improvement OWDA Sewer Fund in 2014.

Governmental Funds Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the Village's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

Proprietary Funds When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as enterprise funds. The proprietary funds for the Village consist exclusively of enterprise funds.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's fiduciary funds are agency funds.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2013 compared to 2012 on the cash basis:

Village of Grafton
Lorain County
Management's Discussion and Analysis
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Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Cash and investments	\$ 2,862,502	\$ 2,447,739	\$ 4,444,495	\$ 3,851,738	\$ 7,306,997	\$ 6,299,477
<i>Total Position</i>	<u>2,862,502</u>	<u>2,447,739</u>	<u>4,444,495</u>	<u>3,851,738</u>	<u>7,306,997</u>	<u>6,299,477</u>
Net Position:						
Restricted						
Capital projects	1,166,024	916,078	-	-	1,166,024	916,078
Other purposes	91,473	75,628	-	-	91,473	75,628
Unrestricted	<u>1,605,005</u>	<u>1,456,033</u>	<u>4,444,495</u>	<u>3,851,738</u>	<u>6,049,500</u>	<u>5,307,771</u>
<i>Total Net Position</i>	<u>\$ 2,862,502</u>	<u>\$ 2,447,739</u>	<u>\$ 4,444,495</u>	<u>\$ 3,851,738</u>	<u>\$ 7,306,997</u>	<u>\$ 6,299,477</u>

Table 2 provides a summary of the Village's net position for 2014 compared to 2013 on the cash basis:

Table 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Cash and investments	\$ 3,085,532	\$ 2,862,502	\$ 4,776,333	\$ 4,444,495	\$ 7,861,865	\$ 7,306,997
<i>Total Position</i>	<u>3,085,532</u>	<u>2,862,502</u>	<u>4,776,333</u>	<u>4,444,495</u>	<u>7,861,865</u>	<u>7,306,997</u>
Net Position:						
Restricted						
Capital projects	1,670,650	1,166,024	-	-	1,670,650	1,166,024
Other purposes	101,938	91,473	-	-	101,938	91,473
Unrestricted	<u>1,312,944</u>	<u>1,605,005</u>	<u>4,776,333</u>	<u>4,444,495</u>	<u>6,089,277</u>	<u>6,049,500</u>
<i>Total Net Position</i>	<u>\$ 3,085,532</u>	<u>\$ 2,862,502</u>	<u>\$ 4,776,333</u>	<u>\$ 4,444,495</u>	<u>\$ 7,861,865</u>	<u>\$ 7,306,997</u>

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Table 3 shows the net changes in net position for 2013 and 2012.

	Table 3					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Receipts:						
Program Receipts:						
Charges for services and sales	\$ 354,239	\$ 351,833	\$ 5,718,117	\$ 4,966,929	\$ 6,072,356	\$ 5,318,762
Operating grants, contributions and interest	164,766	159,746	-	-	164,766	159,746
Capital grants and contributions	170,937	450,116	-	-	170,937	450,116
General Receipts:						
Property taxes	230,396	254,657	-	-	230,396	254,657
Municipal income taxes	1,195,003	1,211,405	-	-	1,195,003	1,211,405
Grants and entitlements	127,994	125,384	-	-	127,994	125,384
Notes issues	94,881	-	-	-	94,881	-
Interest	26,558	32,719	-	-	26,558	32,719
Miscellaneous	76,829	59,498	-	-	76,829	59,498
Total Receipts	<u>2,441,603</u>	<u>2,645,358</u>	<u>5,718,117</u>	<u>4,966,929</u>	<u>8,159,720</u>	<u>7,612,287</u>
Disbursements:						
Current:						
General government	579,280	563,893	-	-	579,280	563,893
Security of persons and property	664,409	737,375	-	-	664,409	737,375
Public health services	8,368	58,514	-	-	8,368	58,514
Leisure time activities	8,359	20,936	-	-	8,359	20,936
Community environment	2,843	2,970	-	-	2,843	2,970
Basic utility services	191,572	313,819	-	-	191,572	313,819
Transportation	153,903	171,339	-	-	153,903	171,339
Capital outlay	300,791	428,558	-	-	300,791	428,558
Debt Service:						
Principal retirement	94,503	146,089	-	-	94,503	146,089
Interest and fiscal charges	22,812	32,239	-	-	22,812	32,239
Water	-	-	747,172	625,369	747,172	625,369
Sewer	-	-	1,519,808	1,369,551	1,519,808	1,369,551
Electric	-	-	2,844,570	2,486,203	2,844,570	2,486,203
Other	-	-	13,810	14,200	13,810	14,200
Total Disbursements	<u>2,026,840</u>	<u>2,475,732</u>	<u>5,125,360</u>	<u>4,495,323</u>	<u>7,152,200</u>	<u>6,971,055</u>
Changes in Net Position	<u>\$ 414,763</u>	<u>\$ 169,626</u>	<u>\$ 592,757</u>	<u>\$ 471,606</u>	<u>\$ 1,007,520</u>	<u>\$ 641,232</u>

Village of Grafton
Lorain County
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Table 4 shows the net changes in net position for 2014 and 2013.

Table 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Receipts:						
Program Receipts:						
Charges for services and sales	\$ 350,467	\$ 354,239	\$ 5,709,098	\$ 5,718,117	\$ 6,059,565	\$ 6,072,356
Operating grants, contributions and interest	182,396	164,766	-	-	182,396	164,766
Capital grants and contributions	3,198,823	170,937	-	-	3,198,823	170,937
General Receipts:						
Property taxes	234,342	230,396	-	-	234,342	230,396
Municipal income taxes	1,250,745	1,195,003	-	-	1,250,745	1,195,003
Grants and entitlements	101,086	127,994	-	-	101,086	127,994
Notes issues	3,079,371	94,881	114,178	-	3,193,549	94,881
Interest	21,698	26,558	-	-	21,698	26,558
Miscellaneous	71,369	76,829	-	-	71,369	76,829
Total Receipts	<u>8,490,297</u>	<u>2,441,603</u>	<u>5,823,276</u>	<u>5,718,117</u>	<u>14,313,573</u>	<u>8,159,720</u>
Disbursements:						
Current:						
General government	501,345	579,280	-	-	501,345	579,280
Security of persons and property	490,974	664,409	-	-	490,974	664,409
Public health services	42,997	8,368	-	-	42,997	8,368
Leisure time activities	14,239	8,359	-	-	14,239	8,359
Community environment	1,429	2,843	-	-	1,429	2,843
Basic utility services	276,326	191,572	-	-	276,326	191,572
Transportation	154,577	153,903	-	-	154,577	153,903
Capital outlay	6,681,827	300,791	-	-	6,681,827	300,791
Debt Service:						
Principal retirement	94,727	94,503	-	-	94,727	94,503
Interest and fiscal charges	8,826	22,812	-	-	8,826	22,812
Water	-	-	696,778	747,172	696,778	747,172
Sewer	-	-	1,093,112	1,519,808	1,093,112	1,519,808
Electric	-	-	3,687,151	2,844,570	3,687,151	2,844,570
Other	-	-	14,397	13,810	14,397	13,810
Total Disbursements	<u>8,267,267</u>	<u>2,026,840</u>	<u>5,491,438</u>	<u>5,125,360</u>	<u>13,758,705</u>	<u>7,152,200</u>
Changes in Net Position	<u>\$ 223,030</u>	<u>\$ 414,763</u>	<u>\$ 331,838</u>	<u>\$ 592,757</u>	<u>\$ 554,868</u>	<u>\$ 1,007,520</u>

Governmental Activities

For 2013, net position of the Village's governmental activities increased by \$414,763. The governmental disbursements of \$2,026,840 were offset by program receipts of \$689,942 and general receipts of \$1,751,661.

The primary sources of revenue for governmental activities are derived from property taxes and income taxes. These two revenue sources represent 58 percent of total governmental receipts.

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The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 5 shows, for governmental activities, the total cost of services and the net cost of services for 2014, 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlement.

Table 3

	<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<i>Governmental Activities:</i>						
General government	\$ 501,346	\$ (474,866)	\$ 579,280	\$ (528,790)	\$ 563,893	\$ (498,027)
Security of persons and property	490,974	(403,607)	664,409	(583,833)	737,375	(674,396)
Public health services	42,997	(42,997)	8,368	(8,368)	58,514	(58,514)
Leisure time activities	14,239	945	8,359	(5,859)	20,936	(19,186)
Community environment	1,429	(1,429)	2,843	(2,843)	2,970	(2,970)
Basic utility services	276,326	(36,360)	191,572	36,138	313,819	(86,838)
Transportation	154,577	9,289	153,903	3,825	171,339	(17,336)
Capital outlay	6,722,664	(3,523,841)	300,791	(129,854)	428,558	(74,466)
<i>Debt service:</i>						
Principal retirement	94,727	(94,727)	94,503	(94,503)	146,089	(81,297)
Interest and fiscal charges	8,826	(8,826)	22,812	(22,812)	32,239	(1,007)
<i>Business-Type Activities:</i>						
Water	696,778	175,151	747,172	163,944	625,368	245,658
Sewer	1,093,211	391,608	1,519,808	20,604	1,369,551	23,249
Electric	3,687,151	(348,301)	2,844,570	406,645	2,486,203	199,775
Other Enterprise Fund	14,397	(897)	13,810	1,564	14,200	2,925
Total expenses	<u>\$ 13,799,642</u>	<u>\$ (4,358,858)</u>	<u>\$ 7,152,200</u>	<u>\$ (744,142)</u>	<u>\$ 6,971,054</u>	<u>\$ (1,042,430)</u>

For 2014 and 2013, only 34 percent and 45 percent, respectively, of general government activities were supported through program receipts. For all governmental activities, general receipts and prior year cash balance support is all disbursements as shown in the above table. The community, as a whole, is by far the primary support for the Village of Grafton.

Business-type Activities

The dependence upon program receipts is apparent as 100 percent of business-type activities were supported through these receipts for both 2014 and 2013. The infrastructure is beginning to age but the Village has ongoing maintenance projects to upgrade the infrastructure.

The Village's Funds

Information about the Village's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. For 2013, governmental funds had total cash receipts of \$2,346,722 and cash expenditures of \$2,026,840. For 2014, governmental funds had total cash receipts of \$5,410,926 and cash expenditures of \$8,266,753. The net change in fund balance at year end was most significant in the Capital Improvement Fund, where the fund's balance increased by \$529,074 and \$238,016 for 2014 and 2013, respectively.

Village of Grafton
Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2014 and 2013
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2014 and 2013, the Village amended its General Fund receipt budget numerous times. The Village uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

In 2013, the General Fund final budget basis receipts were \$1,575,776, the original estimate was \$1,561,934. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,475,698, \$119,664 under receipts.

In 2014, the General Fund final budget basis receipts were \$1,566,756, the original estimate was \$1,545,831. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,321,303, \$272,101 under receipts.

Capital Assets and Debt Administration

Capital Assets

The Village capital assets and infrastructure are not reflected in the accompanying financial statements.

Debt

At December 31, 2014 and 2013, the Village had \$6,166,460 and \$3,364,982, respectively, in OPWC, OWDA and County Engineer loans. These issues were used for improvements to the Village's streets, water, sewer, and electric systems.

Current Financial Related Activities

The Village of Grafton is strong financially. As the preceding information shows, the Village heavily depends on its property/income taxpayers. However, financially the future is not without challenges.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Linda Bales, Clerk/Treasurer at 960 Main Street, Grafton, Ohio 44044.

Village of Grafton
Lorain County, Ohio
Statement of Net Position - Cash Basis
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 3,085,532	\$ 4,776,333	\$ 7,861,865
Net Position			
Restricted for:			
Capital projects	1,670,650	-	1,670,650
Other purposes	101,938	-	101,938
Unrestricted	1,312,944	4,776,333	6,089,277
Total net position	\$ 3,085,532	\$ 4,776,333	\$ 7,861,865
Total business-type activities			

Village of Grafton
Lorain County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2014

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 501,346	\$ 23,951	\$ 2,529	\$ -	\$ (474,866)	\$ -	\$ (474,866)
Security of persons and property	490,974	85,082	2,285	-	(403,607)	-	(403,607)
Public health services	42,997	-	-	-	(42,997)	-	(42,997)
Leisure time activities	14,239	1,250	13,934	-	945	-	945
Community environment	1,429	-	-	-	(1,429)	-	(1,429)
Basic utility services	276,326	239,966	-	-	(36,360)	-	(36,360)
Transportation	154,577	218	163,648	-	9,289	-	9,289
Capital outlay	6,681,827	-	-	3,198,823	(3,483,004)	-	(3,483,004)
Debt service:							
Principal retirement	94,727	-	-	-	(94,727)	-	(94,727)
Interest and fiscal charges	8,826	-	-	-	(8,826)	-	(8,826)
Total governmental activities	8,267,268	350,467	182,396	3,198,823	(4,535,582)	-	(4,535,582)
Business Type Activities							
Water	696,778	871,929	-	-	-	175,151	175,151
Sewer	1,093,112	1,484,819	-	-	-	391,707	391,707
Electric	3,687,151	3,338,850	-	-	-	(348,301)	(348,301)
Other Enterprise	14,397	13,500	-	-	-	(897)	(897)
Total business-type activities	5,491,438	5,709,098	-	-	-	217,660	217,660
Total government	\$ 13,758,706	\$ 6,059,565	\$ 182,396	\$ 3,198,823	(4,535,582)	217,660	(4,317,922)
General Receipts							
Municipal income taxes levied for:							
					833,872	-	833,872
					416,873	-	416,873
Property taxes levied for:							
					219,206	-	219,206
					15,137	-	15,137
Grants and entitlements not restricted							
					101,086	-	101,086
					3,079,371	114,178	3,193,549
					21,698	-	21,698
					71,369	-	71,369
Total general receipts					4,758,612	114,178	4,872,790
Change in net position					223,030	331,838	554,868
Net position beginning of year					2,862,502	4,444,495	7,306,997
Net position end of year					\$ 3,085,532	\$ 4,776,333	\$ 7,861,865

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2014

	General	Capital Improvement	Capital Improvement OWDA Sewer	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 1,312,944	\$ 1,456,818	\$ -	\$ 315,770	\$ 3,085,532
Fund Balances					
Restricted	-	1,456,818	-	315,770	1,772,588
Assigned	36,352	-	-	-	36,352
Unassigned	1,276,592	-	-	-	1,276,592
 Total fund balances	 \$ 1,312,944	 \$ 1,456,818	 \$ -	 \$ 315,770	 \$ 3,085,532

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds

For the Year Ended December 31, 2014

	General	Capital Improvement	Capital Improvement OWDA Sewer	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 833,872	\$ 389,197	\$ -	\$ 27,676	\$ 1,250,745
Property and other local taxes	219,206	-	-	15,136	234,342
Charges for services	270,388	-	-	-	270,388
Fines, licenses and permits	62,517	-	-	4,294	66,811
Intergovernmental	101,086	2,923,119	-	404,580	3,428,785
Special assessments	218	-	-	-	218
Earnings on investment	21,698	-	-	260	21,958
Miscellaneous	84,419	24	-	53,236	137,679
Total receipts	1,593,404	3,312,340	-	505,182	5,410,926
Disbursements					
Current:					
General government	484,503	-	-	16,328	500,831
Security of persons and property	475,141	-	-	15,833	490,974
Public health services	42,997	-	-	-	42,997
Leisure time activities	14,239	-	-	-	14,239
Community environment	1,429	-	-	-	1,429
Basic utility services	210,306	56,279	-	9,741	276,326
Transportation	-	-	-	154,577	154,577
Capital outlay	56,336	3,223,434	3,009,154	392,903	6,681,827
Debt service:					
Principal retirement	-	94,727	-	-	94,727
Interest and fiscal charges	-	8,826	-	-	8,826
Total disbursements	1,284,951	3,383,266	3,009,154	589,382	8,266,753
Excess of receipts over (under) disbursements	308,453	(70,926)	(3,009,154)	(84,200)	(2,855,827)
Other financing sources (uses)					
Other debt issued	-	-	3,009,154	70,217	3,079,371
Transfers in	118,995	600,000	-	-	718,995
Transfers out	(718,995)	-	-	-	(718,995)
Other financing uses	(514)	-	-	-	(514)
Total other financing sources (uses)	(600,514)	600,000	3,009,154	70,217	3,078,857
Net change in fund balance	(292,061)	529,074	-	(13,983)	223,030
Fund balances beginning of year	1,605,005	927,744	-	329,753	2,862,502
Fund balances end of year	<u>\$ 1,312,944</u>	<u>\$ 1,456,818</u>	<u>\$ -</u>	<u>\$ 315,770</u>	<u>\$ 3,085,532</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal income taxes	\$ 800,000	\$ 800,000	\$ 833,872	\$ 33,872
Property and other local taxes	248,988	219,206	219,206	-
Charges for services	270,100	270,500	270,388	(112)
Fines, licenses and permits	55,000	68,000	62,517	(5,483)
Intergovernmental	87,743	102,754	101,086	(1,668)
Special assessments	1,500	218	218	-
Earnings on investment	25,000	23,000	21,698	(1,302)
Miscellaneous	57,500	83,078	84,419	1,341
Total receipts	<u>1,545,831</u>	<u>1,566,756</u>	<u>1,593,404</u>	<u>26,648</u>
Disbursements				
Current:				
General government	629,250	629,250	492,011	137,239
Security of persons and property	663,000	663,000	478,538	184,462
Public health services	83,000	83,000	45,055	37,945
Leisure time activities	21,000	21,000	14,389	6,611
Community environment	6,000	6,000	1,429	4,571
Basic utility services	227,500	227,500	227,306	194
Capital outlay	-	-	62,575	(62,575)
Total disbursements	<u>1,629,750</u>	<u>1,629,750</u>	<u>1,321,303</u>	<u>308,447</u>
Excess of receipts over (under) disbursements	<u>(83,919)</u>	<u>(62,994)</u>	<u>272,101</u>	<u>335,095</u>
Other financing sources (uses)				
Transfers in	125,000	119,000	118,995	(5)
Transfers out	(975,000)	(975,000)	(718,995)	256,005
Other financing uses	(628,898)	(643,823)	(514)	643,309
Total other financing sources (uses)	<u>(1,478,898)</u>	<u>(1,499,823)</u>	<u>(600,514)</u>	<u>899,309</u>
N Earnings on investment	(1,562,817)	(1,562,817)	(328,413)	1,234,404
Fund balance at beginning of year	1,562,817	1,562,817	1,562,817	-
Prior year encumbrances appropriated	42,188	42,188	42,188	-
Fund balance at end of year	<u>\$ 42,188</u>	<u>\$ 42,188</u>	<u>\$ 1,276,592</u>	<u>\$ 1,234,404</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2014

	Water	Sewer	Electric	Other Enterprise Fund	Total Enterprise Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 1,174,582	\$ 1,554,821	\$ 1,999,393	\$ 47,537	\$ 4,776,333
Net position					
Unrestricted	1,174,582	1,554,821	1,999,393	47,537	4,776,333
Total business-type activities					
Total net position	\$ 1,174,582	\$ 1,554,821	\$ 1,999,393	\$ 47,537	\$ 4,776,333

See accompanying notes to the financial statements.

**Village of Grafton
Lorain County, Ohio**

*Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2014*

	Water	Sewer	Electric	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts					
Charges for services	\$ 867,195	\$ 1,480,316	\$ 3,308,067	\$ 13,500	\$ 5,669,078
Other operating receipts	4,734	4,503	30,783	-	40,020
Total operating receipts	<u>871,929</u>	<u>1,484,819</u>	<u>3,338,850</u>	<u>13,500</u>	<u>5,709,098</u>
Operating Disbursements					
Personal services	44,712	177,439	172,775	-	394,926
Employee fringe benefits	13,568	62,224	92,462	-	168,254
Travel and transportation	4,798	7,301	21,508	-	33,607
Contractual services	481,185	243,692	2,456,199	14,397	3,195,473
Earnings on investment	43,899	175,456	160,362	-	379,717
Total operating disbursements	<u>588,162</u>	<u>666,112</u>	<u>2,903,306</u>	<u>14,397</u>	<u>4,171,977</u>
Operating income/(loss)	<u>283,767</u>	<u>818,707</u>	<u>435,544</u>	<u>(897)</u>	<u>1,537,121</u>
Non-operating receipts (disbursements)					
Proceeds of OWDA loans	1,014	113,164	-	-	114,178
Capital outlay	(16,670)	(16,571)	(783,845)	-	(817,086)
Principal retirement	(73,155)	(252,320)	-	-	(325,475)
Interest and fiscal charges	(18,791)	(158,109)	-	-	(176,900)
Total non-operating receipts (disbursements)	<u>(107,602)</u>	<u>(313,836)</u>	<u>(783,845)</u>	<u>-</u>	<u>(1,205,283)</u>
Income/(loss) before transfers	<u>176,165</u>	<u>504,871</u>	<u>(348,301)</u>	<u>(897)</u>	<u>331,838</u>
Transfers					
Transfers in	-	-	118,995	-	118,995
Transfers out	-	-	(118,995)	-	(118,995)
Total transfers	-	-	-	-	-
Change in net position	176,165	504,871	(348,301)	(897)	331,838
Net position beginning of year	<u>998,417</u>	<u>1,049,950</u>	<u>2,347,694</u>	<u>48,434</u>	<u>4,444,495</u>
Net position end of year	<u>\$ 1,174,582</u>	<u>\$ 1,554,821</u>	<u>\$ 1,999,393</u>	<u>\$ 47,537</u>	<u>\$ 4,776,333</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2014

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 12,608
Total assets	<u>\$ 12,608</u>
Net Position	
Restricted for:	
Deposits	<u>\$ 12,608</u>
Total net position	<u><u>\$ 12,608</u></u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Net Position - Cash Basis
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 2,862,502	\$ 4,444,495	\$ 7,306,997
Net Position			
Restricted for:			
Capital projects	1,166,024	-	1,166,024
Other purposes	91,473	-	91,473
Unrestricted	1,605,005	4,444,495	6,049,500
Total net position	\$ 2,862,502	\$ 4,444,495	\$ 7,306,997

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2013

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash	Charges	Operating	Capital	Governmental	Business-Type	Total
Disbursements	for Services and Sales	Grants, Contributions and Interest	Grants and Contributions	Activities			
Governmental Activities							
General government	\$ 579,280	\$ 46,550	\$ 3,940	\$ -	\$ (528,790)	\$ -	\$ (528,790)
Security of persons and property	664,409	77,144	3,432	-	(583,833)	-	(583,833)
Public health services	8,368	-	-	-	(8,368)	-	(8,368)
Leisure time activities	8,359	2,500	-	-	(5,859)	-	(5,859)
Community environment	2,843	-	-	-	(2,843)	-	(2,843)
Basic utility services	191,572	227,710	-	-	36,138	-	36,138
Transportation	153,903	334	157,394	-	3,825	-	3,825
Capital outlay	300,791	-	-	170,937	(129,854)	-	(129,854)
Debt service:							
Principal retirement	94,503	-	-	-	(94,503)	-	(94,503)
Interest and fiscal charges	22,812	-	-	-	(22,812)	-	(22,812)
Total governmental activities	2,026,840	354,238	164,766	170,937	(1,336,899)	-	(1,336,899)
Business Type Activities							
Water	747,172	911,116	-	-	-	163,944	163,944
Sewer	1,519,808	1,540,412	-	-	-	20,604	20,604
Electric	2,844,570	3,251,215	-	-	-	406,645	406,645
Other Enterprise	13,810	15,374	-	-	-	1,564	1,564
Total business-type activities	5,125,360	5,718,117	-	-	-	592,757	592,757
Total government	\$ 7,152,200	\$ 6,072,355	\$ 164,766	\$ 170,937	(1,336,899)	592,757	(744,142)
General Receipts							
Municipal income taxes levied for:							
General purposes					796,711	-	796,711
Capital outlay					398,295	-	398,295
Property taxes levied for:							
General purposes					215,823	-	215,823
Security of persons and property					14,573	-	14,573
Grants and entitlements not restricted to specific programs							
Notes issued					127,992	-	127,992
Interest					94,881	-	94,881
Miscellaneous					26,558	-	26,558
					76,829	-	76,829
Total general receipts					1,751,662	-	1,751,662
Change in net position					414,763	592,757	1,007,520
Net position beginning of year					2,447,739	3,851,738	6,299,477
Net position end of year					<u>\$ 2,862,502</u>	<u>\$ 4,444,495</u>	<u>\$ 7,306,997</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets			#	
Equity in pooled cash and cash equivalents	\$ 1,605,005	\$ 927,744	\$ 329,753	\$ 2,862,502
Fund Balances				
Restricted	-	927,744	329,753	1,257,497
Assigned	42,190	-	-	42,190
Unassigned	1,562,815	-	-	1,562,815
Total fund balances	\$ 1,605,005	\$ 927,744	\$ 329,753	\$ 2,862,502

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal income taxes	\$ 796,711	\$ 371,815	\$ 26,480	\$ 1,195,006
Property and other local taxes	215,823	-	14,573	230,396
Charges for services	351,114	-	-	351,114
Fines, licenses and permits	-	-	2,790	2,790
Intergovernmental	127,993	158,788	154,832	441,613
Special assessments	334	-	-	334
Interest	26,558	-	190	26,748
Miscellaneous	76,829	12,149	9,743	98,721
Total receipts	<u>1,595,362</u>	<u>542,752</u>	<u>208,608</u>	<u>2,346,722</u>
Disbursements				
Current:				
General government	577,152	-	2,128	579,280
Security of persons and property	645,214	-	19,195	664,409
Public health services	8,368	-	-	8,368
Leisure time activities	8,359	-	-	8,359
Community environment	2,843	-	-	2,843
Basic utility services	191,572	-	-	191,572
Transportation	-	-	153,903	153,903
Capital outlay	-	200,464	100,327	300,791
Debt service:				
Principal retirement	-	94,503	-	94,503
Interest and fiscal charges	-	9,769	13,043	22,812
Total disbursements	<u>1,433,508</u>	<u>304,736</u>	<u>288,596</u>	<u>2,026,840</u>
Excess of receipts over (under) disbursements	<u>161,854</u>	<u>238,016</u>	<u>(79,988)</u>	<u>319,882</u>
Other financing sources (uses)				
OWDA debt issued	-	-	94,881	94,881
Transfers in	115,739	-	12,882	128,621
Transfers out	(128,621)	-	-	(128,621)
Total other financing sources (uses)	<u>(12,882)</u>	<u>-</u>	<u>107,763</u>	<u>94,881</u>
Net change in fund balance	148,972	238,016	27,775	414,763
Fund balances beginning of year	<u>1,456,033</u>	<u>689,728</u>	<u>301,978</u>	<u>2,447,739</u>
Fund balances end of year	<u>\$ 1,605,005</u>	<u>\$ 927,744</u>	<u>\$ 329,753</u>	<u>\$ 2,862,502</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal income taxes	\$ 825,000	\$ 785,000	\$ 796,711	\$ 11,711
Property and other local taxes	224,616	77,144	215,823	138,679
Charges for services	357,600	348,400	351,114	2,714
Intergovernmental	87,718	127,964	127,993	29
Special assessments	2,000	334	334	-
Interest	30,000	27,000	26,558	(442)
Miscellaneous	35,000	71,254	76,829	5,575
Total receipts	<u>1,561,934</u>	<u>1,437,096</u>	<u>1,595,362</u>	<u>158,266</u>
Disbursements				
Current:				
General government	593,500	672,500	588,148	84,352
Security of persons and property	760,000	775,000	657,770	117,230
Public health services	5,000	5,000	8,368	(3,368)
Leisure time activities	22,000	22,000	8,883	13,117
Community environment	6,000	6,000	2,843	3,157
Basic utility services	212,500	212,500	209,686	2,814
Total disbursements	<u>1,599,000</u>	<u>1,693,000</u>	<u>1,475,698</u>	<u>217,302</u>
Excess of receipts over (under) disbursements	<u>(37,066)</u>	<u>(255,904)</u>	<u>119,664</u>	<u>375,568</u>
Other financing sources (uses)				
Transfers in	140,000	124,500	115,739	(8,761)
Transfers out	(480,000)	(480,000)	(128,621)	351,379
Other financing uses	(1,022,386)	(926,727)	-	926,727
Total other financing sources (uses)	<u>(1,362,386)</u>	<u>(1,282,227)</u>	<u>(12,882)</u>	<u>1,269,345</u>
Net change in fund balance	(1,399,452)	(1,538,131)	106,782	1,644,913
Fund balance at beginning of year	1,399,452	1,399,452	1,399,452	-
Prior year encumbrances appropriated	56,581	56,581	56,581	-
Fund balance at end of year	<u>\$ 56,581</u>	<u>\$ (82,098)</u>	<u>\$ 1,562,815</u>	<u>\$ 1,644,913</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets			#		
Equity in pooled cash and cash equivalents	\$ 998,417	\$ 1,049,950	\$ 2,347,694	\$ 48,434	\$ 4,444,495
Net position					
Unrestricted	<u>998,417</u>	<u>1,049,950</u>	<u>2,347,694</u>	<u>48,434</u>	<u>4,444,495</u>
Total net position	<u>\$ 998,417</u>	<u>\$ 1,049,950</u>	<u>\$ 2,347,694</u>	<u>\$ 48,434</u>	<u>\$ 4,444,495</u>

See accompanying notes to the financial statements.

**Village of Grafton
Lorain County, Ohio**

*Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2013*

	Water	Sewer	Electric	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts					
Charges for services	\$ 892,076	\$ 1,521,706	\$ 3,217,512	\$ 15,374	\$ 5,646,668
Other operating receipts	19,040	18,706	33,703	-	71,449
Total operating receipts	911,116	1,540,412	3,251,215	15,374	5,718,117
Operating Disbursements					
Personal services	52,754	185,840	153,690	-	392,284
Employee fringe benefits	20,209	75,132	73,760	-	169,101
Travel and transportation	5,887	9,159	16,255	-	31,301
Contractual services	547,029	332,163	2,490,678	13,810	3,383,680
Supplies and materials	-	253,341	83,710	-	337,051
Total operating disbursements	625,879	855,635	2,818,093	13,810	4,313,417
Operating income	285,237	684,777	433,122	1,564	1,404,700
Non-operating receipts (disbursements)					
Capital outlay	(30,478)	(26,480)	(26,477)	-	(83,435)
Principal retirement	(68,840)	(450,610)	-	-	(519,450)
Interest and fiscal charges	(21,975)	(187,083)	-	-	(209,058)
Total non-operating receipts (disbursements)	(121,293)	(664,173)	(26,477)	-	(811,943)
Income before transfers	163,944	20,604	406,645	1,564	592,757
Transfers					
Transfers in	-	-	115,739	-	115,739
Transfers out	-	-	(115,739)	-	(115,739)
Total transfers	-	-	-	-	-
Change in net position	163,944	20,604	406,645	1,564	592,757
Net position beginning of year	834,473	1,029,346	1,941,049	46,870	3,851,738
Net position end of year	\$ 998,417	\$ 1,049,950	\$ 2,347,694	\$ 48,434	\$ 4,444,495

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2013

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 7,906
Total assets	<u>\$ 7,906</u>
Net Position	
Restricted for:	
Deposits	<u>\$ 7,906</u>
Total net position	<u><u>\$ 7,906</u></u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 1 – Reporting Entity

The Village of Grafton, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include five council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, utility (including water, sewer, and electricity) and general administrative services.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Grafton provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer, electric and refuse collection. Council has direct responsibility for these services.

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). The Village is a Financing Participant with an ownership percentage of .64%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). The Village is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). For more information on joint ventures see Note 13.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies - continued

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies - continued

Capital Improvements Fund - The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

Capital Improvements-OWDA Sewer Fund - The capital improvements-OWDA sewer fund accounts for and reports loan proceeds received and capital outlay expended for the purpose of improving and constructing the sewer operations of the Village.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water, sewer, and electric funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund - This fund is used to record user charges for the costs of providing electric service to Village residents and businesses.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for building and related permit fees, for compliance with building codes and for the operations of the Village's mayor's court.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies - continued

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriation were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

During 2014 and 2013, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013, respectively.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies – continued

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2014 and 2013 were \$21,698 and \$26,558, respectively, which included \$17,145 and \$20,552, respectively, assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies – continued

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by ordinance, or by State statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies – continued

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2013			Other	Total
Fund Balances	<u>General</u>	<u>Capital Improvement</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<u>Restricted for</u>				
Computer service	\$ -	\$ -	\$ 2,194	\$ 2,194
Law enforcement	-	-	20,806	20,806
Street and highway repair	-	-	65,591	65,591
Village event	-	-	2,882	2,882
Capital improvements	-	<u>927,744</u>	<u>238,280</u>	<u>1,166,024</u>
Total restricted	<u>-</u>	<u>927,744</u>	<u>329,753</u>	<u>1,257,497</u>
<u>Assigned</u>				
Encumbrances	<u>42,190</u>	<u>-</u>	<u>-</u>	<u>42,190</u>
Unassigned	<u>1,562,815</u>	<u>-</u>	<u>-</u>	<u>1,562,815</u>
Total fund balances	<u>\$ 1,605,005</u>	<u>\$ 927,744</u>	<u>\$ 329,753</u>	<u>\$ 2,862,502</u>

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 3 - Fund Balances – continued

2014			Other	Total
Fund Balances	General	Capital Improvement	Governmental Funds	Governmental Funds
<u>Restricted for</u>				
Computer service	\$ -	\$ -	\$ 2,924	\$ 2,924
Law enforcement	-	-	22,532	22,532
Street and highway repair	-	-	73,618	73,618
Village event	-	-	2,864	2,864
Capital improvements	-	1,456,818	213,832	1,670,650
Total restricted	-	1,456,818	315,770	1,772,588
 <u>Assigned</u>				
Encumbrances	36,352	-	-	36,352
Unassigned	1,276,592	-	-	1,276,592
Total fund balances	\$ 1,312,944	\$ 1,456,818	\$ 315,770	\$ 3,085,532

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis). For 2014 and 2013, the outstanding encumbrances at year end (budgetary basis) amounted to \$36,352 and \$42,190, respectively, for the general fund.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 5 – Deposits and Investments – continued

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Village had \$440 in undeposited cash on hand, which is included on the Statement of Cash Basis Asset and Fund Balances of the Village as part of "Equity in Pooled Cash and Cash Equivalents" for both 2014 and 2013.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2014 and 2013, none of the Village's bank balance of \$3,283,621 and \$4,028,088 was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 5 – Deposits and Investments – continued

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, the Village had the following investments:

Investment type	Maturity	2013 Fair Value	2014 Fair Value
STAR Ohio	Daily	\$ 3,286,375	\$ 4,590,412

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 – Income Taxes

The Village levies a municipal income tax of 1.5 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 the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village’s Income Tax Department. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village contracts with the Regional Income Tax Agency (RITA) for the collection of taxes, including delinquencies and monitoring of compliance with filing requirements. In 2014 and 2013, the receipts were allocated to the general, capital improvement and capital improvement parks funds.

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2014 and 2013 for real and public utility property taxes represent collections of 2013 and 2012 taxes, respectively.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, and 2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected and intended to finance 2015. 2013 real property taxes are collected and intended to finance 2014.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 7 – Property Taxes – continued

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentage of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 real property taxes and 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 real property taxes.

The full tax rates for all Village operations for the years ended December 31, 2014 and 2013, were \$4.76 and \$4.76 respectively, per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2014 and 2013 property tax receipts were based are as follows:

	<u>2014</u>	<u>2013</u>
	<u>Collection Year</u>	<u>Collection Year</u>
Real Property		
Residential and Agricultural	\$ 42,864,910	\$ 42,201,160
Commercial, industrial and minerals	12,711,540	13,062,780
Public Utility	38,770	38,140
Tangible Personal Property		
Public Utility Personal	<u>586,090</u>	<u>524,850</u>
Total Assessed Value	<u>\$ 56,201,310</u>	<u>\$ 55,826,930</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 8 – Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability
- Law Enforcement Liability

Settled Claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

All employees of the Village are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014 and 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.

The 2014 and 2013 member contribution rates were 10.00% of earnable salary for members in state and local classifications. The Village's 2014 and 2013 employer contribution rate was 14.00% of earnable salary. The Village's required contributions for all plans for the years ended December 31, 2014, 2013, and 2012 were \$87,608, \$106,492, and \$80,105 respectively. The full amount has been contributed for 2014, 2013, and 2012.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 9 – Defined Benefit Pension Plans – continued

From January 1, 2013 thru July 1, 2013, plan members were required to contribute 10% of their annual covered salary. From July 2, 2013 thru July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014 and 2013, employers were required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ended December 31, 2014, 2013, and 2012 were \$33,729, \$28,953 and \$23,269 respectively. The full amount has been contributed for 2014, 2013, and 2012.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member Directed Plan is a defined contribution plan. The Combined Plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, aged-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014 and 2013, the Village contributed at a rate of 14.00% of earnable salary for state and local employees. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 10 - Postemployment Benefits – continued

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. For 2014 and 2013, the portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 2% and 1%, respectively. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2014, 2013, and 2012 were \$14,601, \$8,192, and \$45,503 respectively, 100% has been contributed for 2014, 2013, and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension obligation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer unit. Active members do not make contributions to the OPEB Plan.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 10 - Postemployment Benefits – continued

OP&F maintains funds for health care in two separate accounts. One fund is for health care benefits under an IRS Code Section 115 trust and one fund is for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F allocated to the health care plan for the years ending December 31, 2014, 2013, and 2012 were \$888, \$6,593, and \$12,319 respectively. 100% has been contributed for 2014, 2013, and 2012.

Note 11 – Debt

The Village's long-term debt activity for the years ended December 31, was as follows:

2013	<u>Interest Rates</u>	<u>Balance at 1/1/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 12/31/2013</u>
Governmental Activities:					
O.P.W.C. Loans	0%	\$ 389,147	\$ -	\$ (37,316)	\$ 351,831
O.W.D.A. Loans	3.62% to 3.92%	-	94,881	-	94,881
County Engineer Loan	0%	180,000	-	(30,000)	150,000
Capital Lease	3%	281,549	-	(27,187)	254,362
Total Governmental Activities		<u>\$ 569,147</u>	<u>\$ 94,881</u>	<u>\$ (94,503)</u>	<u>\$ 851,074</u>
Business-Type Activities:					
O.P.W.C. Loans	0%	\$ 50,084	\$ -	\$ (10,017)	\$ 40,067
O.W.D.A. Loans	3.86% to 8.26%	3,237,636	-	(509,433)	2,728,203
Total Business-Type Activities		<u>\$ 3,287,720</u>	<u>\$ -</u>	<u>\$ (519,450)</u>	<u>\$ 2,768,270</u>

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 11 – Debt – continued

2014	<u>Interest Rates</u>	<u>Balance at 1/1/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 12/31/2014</u>
Governmental Activities:					
O.P.W.C. Loans	0%	\$ 351,831	\$ 70,217	\$ (36,596)	\$ 385,452
O.W.D.A. Loans	3.62% to 3.92%	94,881	3,009,154	-	3,104,035
County Engineer Loan	0%	150,000	-	(30,000)	120,000
Capital Lease	3%	254,362	-	(28,131)	226,231
Total Governmental Activities		<u>\$ 851,074</u>	<u>\$ 3,079,371</u>	<u>\$ (94,727)</u>	<u>\$ 3,835,718</u>
Business-Type Activities:					
O.P.W.C. Loans	0%	\$ 40,067	\$ 34,590	\$ (10,017)	\$ 64,640
O.W.D.A. Loans	2.78% to 7.24%	2,728,203	79,588	(315,458)	2,492,333
Total Business-Type Activities		<u>\$ 2,768,270</u>	<u>\$ 114,178</u>	<u>\$ (325,475)</u>	<u>\$ 2,556,973</u>

The Ohio Public Works Commission and Ohio Water Development Authority Loans were used for improvements to the Village's water treatment and sewer treatment systems. The loans will be paid from user charges.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014 are as follows:

Year Ending December 31:	<u>O.P.W.C Loans Principal</u>	<u>O.W.D.A Loans</u>		<u>County Engineer Loan Principal</u>
		<u>Principal</u>	<u>Interest</u>	
2015	\$ 46,613	\$ 399,200	\$ 167,156	\$ 30,000
2016	46,613	326,343	142,667	30,000
2017	32,688	271,483	122,380	30,000
2018	22,671	218,607	105,960	30,000
2019	22,671	231,039	93,528	-
2020-2024	101,858	955,812	288,838	-
2025-2029	67,920	350,680	22,715	-
2030-2034	4,251	-	-	-
Total	<u>\$ 345,285</u>	<u>\$ 2,753,164</u>	<u>\$ 943,244</u>	<u>\$ 120,000</u>

The Village issued a new OWDA loan for a total amount of \$2,841,005 and a new OPWC loan with total received proceeds of \$104,807 for 2014. The amortization schedules for those loans have not yet been completed. The Village also issued two new OWDA loans for which no proceeds had been received as of December 31, 2014. The loan processing fees associated with these loans have been included as additions in the above debt schedule, however no amortization schedules have been completed for these loans. The addition amounts include capitalized interest totaling \$36,551.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 12 – Leases

In 2012, the Village entered into a capital lease for the purchase of capital equipment. The Village disbursed \$36,957 to pay lease costs for each of the years ended December 31, 2014 and 2013. Capital lease payments are reflected as functional disbursements in the financial statements for the governmental funds.

The following is a schedule of future minimum lease payments under this capital lease and present value of the net lease payments at December 31, 2014.

	Equipment Purchase
Year Ending December 31:	
2015	36,957
2016	36,957
2017	36,957
2018	36,957
2019	36,957
2020-2024	73,916
Total Minimum Lease Payment	258,701
Less: Amount Representing Interest	(32,470)
Present Value of Minimum Lease Payments	226,231

Note 13 – Joint Ventures

AMP Generating Station (AMPGS) Project

The Village is a member of the American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 2,399 kilowatts of a total 771,281 kilowatts, giving the Village a .31 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$414,845. The Village received a credit of \$146,685 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$108,494 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$44,597 leaving a net impaired cost estimate of \$115,070. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. The Village made payments in 2014 totaling \$15,437 leaving a net impaired cost estimate of \$102,071 at December 31, 2014.

The Village intends to recover these costs and repay AMP over the next 6 years through a power cost adjustment.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 13 – Joint Ventures – continued

OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2014 and 2013, the outstanding debt was \$11,938,283 and \$15,769,323, respectively. The Village's net investment in OMEGA JV2 was \$155,602 and \$179,451 at December 31, 2014 and 2013, respectively. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 13 – Joint Ventures – continued

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2014 and 2013 are:

<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>	<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

OMEGA JV5

The Village is a Financing Participant with an ownership percentage of .64%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 13 – Joint Ventures – continued

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Management Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2014 and 2013 the Village of Grafton has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of the 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$19,122 and \$62,541 at December 31, 2014 and 2013, respectively. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 14 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

Village of Grafton
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 15 - Interfund Transfers

Interfund transfers for the year ended December 31, consisted of the following:

	2014	2013
Transfers from Electric Fund to:		
General Fund	\$ 118,995	\$ 115,739
Transfers from General Fund to:		
Electric Fund	118,995	115,739
Street, Maintenance and Repair Fund	-	10,000
Village Event / Firework Fund	-	2,282
Capital Improvements Fund	<u>600,000</u>	<u>-</u>
Total transfers	<u>\$ 837,990</u>	<u>\$ 243,760</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SUPPLEMENTAL INFORMATION

**VILLAGE OF GRAFTON
LORAIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program or Cluster Title	Federal CFDA Number	Expenditures
 <u>U.S. Department of Transportation</u>		
<i>Passed through Lorain County:</i>		
Highway Planning & Construction Cluster:		
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	\$ <u>2,741,361</u>
Total Highway Planning & Construction Cluster		2,741,361
Total U.S. Department of Transportation		<u>2,741,361</u>
Total Federal Expenditures		<u>\$ 2,741,361</u>

See Accompanying Notes to this Schedule.

**VILLAGE OF GRAFTON
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the Village's federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

Note B – Matching Requirements

Certain federal programs require the Village to contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has met all matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

August 14, 2015

Village of Grafton
Lorain County
960 Main Street
Grafton, Ohio 44044

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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **Village of Grafton**, Lorain County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 14, 2015, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

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 opinions 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.



... "bringing more to the table"

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• Association of Certified Anti - Money Laundering Specialists •



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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

August 14, 2015

Village of Grafton
Lorain County
960 Main Street
Grafton, Ohio 44044

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the **Village of Grafton's** (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Grafton's major federal program for the year ended December 31, 2014. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the Village's major federal program.

Management's Responsibility

The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.



... "bringing more to the table"
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Opinion on the Major Federal Program

In our opinion, the Village complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF GRAFTON
LORAIN COUNTY**

**Schedule of Audit Findings
OMB Circular A -133 § .505
For the Year Ended December 31, 2014**

1. SUMMARY OF AUDIT RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning & Construction Cluster - CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

VILLAGE OF GRAFTON

LORAIN 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 19, 2015**