



**VILLAGE OF FAIRPORT HARBOR  
LAKE COUNTY**

**AGREED-UPON PROCEDURES**

**FOR THE YEARS ENDED DECEMBER 31, 2017-2018**



# OHIO AUDITOR OF STATE KEITH FABER



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

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

We have performed the procedures enumerated below, which were agreed to by the Village Council, Mayor and the management of the Village of Fairport Harbor, Lake County, Ohio (the Village), on the receipts, disbursements and balances recorded in the Villages cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Village. The Village is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Village. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash and Investments

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found the December 31, 2018 and December 31, 2017 bank reconciliations did not agree to the accounting records by difference of \$9,123 and \$9,122, respectively.

Subsequent review of the accounting records by management identified several account posting errors which contributed to these variances. After accounting for these items the December 31, 2018 and 2017 bank reconciliations agreed to the accounting records fund balances. The Village should ensure bank to book reconciliations are performed monthly for all accounts. Any noted discrepancies should be promptly investigated, documented, and corrected in the accounting records.

2. We agreed the January 1, 2017 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2016 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2017 balances in the Cash Summary by Fund Report. We found no exceptions.

**Cash and Investments – (Continued)**

3. We agreed the totals per the initial bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the Fund Status Report. The amounts agreed, however as indicated in step 1, there were certain errors contained within the initial bank reconciliations which resulted in differences between the updated bank reconciliations and Fund Status Report.
4. We confirmed the December 31, 2018 bank account balances with the Village's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation noting the Village's saving account balance did not agree by a difference of \$2,195. We found the interest earned for the account was not entered into the accounting system during 2018 accounting for this difference. We recommend the Village should ensure bank to book reconciliations are performed monthly for all accounts. Any noted discrepancies should be promptly investigated, documented, and corrected in the accounting records.
5. We selected a sample (agreed upon) of five reconciling debits (such as outstanding checks) from the December 31, 2018 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.
6. We selected the one reconciling credit (deposits in transit) from the December 31, 2018 bank reconciliation:
  - a. We traced the credit to the subsequent January bank statements. We found no exceptions.
  - b. We agreed the credit amount to the Receipts Register. The credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We inspected investments held at December 31, 2018 and December 31, 2017 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

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

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2018 and one from 2017:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. We also traced the advances noted on the Statement to the Receipt Register Report. We found one receipt in 2018 and 2017 that was posted at net of settlement fees instead of at gross. The Village should post receipts gross of settlement fees, when applicable. Because we did not inspect all receipts, our report provides no assurance whether or not additional similar errors occurred.
  - b. We inspected the Receipt Register Report to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We inspected the Receipt Register Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Register Report to determine whether it included two real estate tax receipts plus two advances for 2018 and 2017. The Receipt Register Report included the proper number of tax receipts for each year.

### **Property Taxes, Intergovernmental and Other Confirmable Cash Receipts – (Continued)**

3. We selected a sample (agreed upon) of five receipts from the State Distribution Transaction Lists (DTL) from 2018 and five from 2017. We also selected a sample (agreed upon) of five receipts from the County Auditor's Auto Registration Distribution Report from 2018 and five from 2017.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
  - b. We inspected the Receipt Register Report to determine that these receipts were allocated to the proper funds. We found no exceptions.
  - c. We inspected the Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

### **Income Tax Receipts**

We obtained the December 31, 2018 and 2017 Monthly Distribution Summary Reports submitted by the Regional Income Tax Agency (RITA), the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Receipt Register Report. For 2018, twelve receipts were posted net of deducted collection fees totaling \$27,440. For 2017, six receipts were posted net of deducted collection fees totaling \$12,319. We recommend the Village record its income tax receipts gross of deducted collection fees and record a memo expenditure for the collection fees.

### **Water and Sewer Fund**

1. We selected a sample (agreed upon) of 10 Water Fund collection cash receipts from the year ended December 31, 2018 and 10 Water Fund collection cash receipts from the year ended December 31, 2017 recorded in the Revenue Register Report and determined whether the:
  - a. Receipt amount per the Revenue Register Report agreed to the amount recorded to the credit of the customer's account in the Account History Report for the billing period. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Account History Report for the billing period. We found no exceptions.
    - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
  - c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.
2. We observed the Customer Account Aging Report.
  - a. This report listed \$98,503 and \$85,323 of accounts receivable as of December 31, 2018 and 2017, respectively.
  - b. Of the total receivables reported in the preceding procedure, \$20,179 and \$12,589 were recorded as more than 90 days delinquent.
3. We observed the Adjustment History Report.
  - a. This report listed a total of \$14,773 and \$13,541 non-cash receipts adjustments for the years ended December 31, 2018 and 2017, respectively.
  - b. We selected a sample (agreed upon) of five non-cash adjustments from 2018 and five non-cash adjustments from 2017, and observed that the Village Administrator approved each adjustment.

**Debt**

1. From the prior agreed-upon procedures documentation, we observed the following notes and leases were outstanding as of December 31, 2016. These amounts agreed to the Villages January 1, 2017 balances on the summary we used in procedure 3.

<b>Issue</b>	<b>Principal outstanding as of December 31, 2016:</b>
Water Plant Backwash	\$94,386
Water Valve Replacement	29,992
Water Storage Tank Repairs	41,374
New Street Waterline & Pavement Improvement	41,250
Plum St. Phase I	56,875
Plum St. Phase II	49,182
High St. Pavement Improvement	78,750
New, Seventh, King, & Burton Street Improvement	86,944
Second & East Street Pavement Improvement	87,928
Water System Improvements	16,560
King Street Improvement	49,600
Senior/Community Center	337,868
2015 Ford Explorer Police SUV	12,303
2015 International 7400 Dump Truck	51,321
2015 Ford Utility Police Interceptor	11,409
2016 Ford F250 4WD Plow Truck	24,517
2016 Ford E450 Lifeline Ambulance	149,775

2. We inquired of management, and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of loans and leases debt activity for 2018 and 2017 and agreed principal and interest payments from the related debt amortization schedules to debt service fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. For new debt issued during 2018 and 2017, we inspected the debt legislation, which stated the Village must use the proceeds to purchase a fire truck, SUV, and a truck. We inspected the Payment Register Detail Report and observed the Village purchased a SUV in March of 2018. The unspent balances as of December 31, 2018 for the fire truck was \$192,135 and the truck was \$25,895.

**Payroll Cash Disbursements**

1. We selected one payroll check for five employees from 2018 and one payroll check for five employees from 2017 from the Wage Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files. We also confirmed the payment was posted to the proper year. We found no exceptions.
  
2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2018. We observed the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2019	December 28, 2018	\$6,158.94	\$6,158.94
State income taxes	January 15, 2019	January 11, 2019	29,215.94	29,215.94
Local income tax	January 15, 2019	December 26, 2018	1,839.55	1,839.55
OPERS retirement	January 30, 2019	January 10, 2019	10,904.40	10,904.40
OP&F retirement	January 31, 2019	January 3, 2019	11,785.15	11,785.15

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

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

**Non-Payroll Cash Disbursements**

We selected a sample (agreed upon) of 10 disbursements from the Payment Listing Report for the year ended December 31, 2018 and 10 from the year ended December 31, 2017 and determined whether:

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

### **Mayors Court Transactions and Cash Balances**

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We compared the reconciled cash totals as of December 31, 2018 and December 31, 2017 to the Mayor's Court Agency Fund balance reported in the Fund Status Reports. The balances agreed.
3. We agreed the totals per the bank reconciliations to the total of December 31, 2018 and 2017 listing of unpaid distributions as of each December 31. The amounts agreed.
4. We confirmed the December 31, 2018 bank account balance with the Mayor's Court financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation without exception.
5. We selected a sample (agreed upon) of five cases from the court cash book and agreed the payee and amount posted to the:
  - a. Duplicate receipt book.
  - b. Docket, including comparing the total fine paid to the judgment issued by the judge (i.e. mayor)
  - c. Case file.

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

6. From the cash book, we selected one month from the year ended December 31, 2018 and one month from the year ended December 31, 2017 and determined whether:
  - a. The monthly sum of fines and costs collected for those months agreed to the amounts reported as remitted to the Village, State or other applicable government in the following month. We found no exceptions.
  - b. The totals remitted for these two months per the cash book agreed to the returned canceled checks. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the cash book.

### **Compliance – Budgetary**

1. We compared the total estimated receipts from the Amended Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Profit & Loss Budget Overview Report for the General Fund, Police Levy Fund and Fire Equipment Levy Fund for the years ended December 31, 2018 and 2017. The amounts on the Certificate agreed to the amount recorded in the accounting system, except for the Police Levy Fund, and Fire Equipment Levy Fund. The Revenue Budget Report recorded budgeted (i.e. certified) resources for the Police Levy Fund of \$186,297 and \$194,599 for 2018 and 2017, respectively. However, the final Amended Official Certificate of Estimated Resources reflected \$186,652 and \$186,297 for 2018 and 2017, respectively. The Revenue Budget Report recorded budgeted (i.e. certified) resources for the Fire Equipment Levy Fund of \$119,420 and \$124,743 for 2018 and 2017, respectively. However, the final Amended Official Certificate of Estimated Resources reflected \$119,649 and \$119,420 for 2018 and 2017, respectively. The Fiscal Officer should periodically compare amounts recorded in the Revenue Budget Report to amounts recorded on the Amended Official Certificate of Estimated Resources to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.



**Compliance – Budgetary – (Continued)**

2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General Fund, Police Levy Fund and Fire Equipment Levy Fund, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2018 and 2017 for the following funds: General Fund, Police Levy Fund, and Fire Equipment Levy Fund. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report, except for the General Fund for 2018 and 2017 and the Fire Equipment Levy Fund for 2017. The Appropriation Status Report recorded budgeted appropriations for the General Fund of \$1,855,580 and \$2,305,366 for 2018 and 2017, respectively. However, the Amended Appropriations reflected \$1,961,686 and \$2,279,671 for 2018 and 2017, respectively. The Appropriation Status Report recorded budgeted appropriations for the Fire Equipment Levy Fund of \$107,000 for 2017. However, the Amended Appropriations reflected \$119,420.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General Fund, Police Levy Fund and Fire Equipment Levy Fund for the years ended December 31, 2018 and 2017. The General Fund and Police Levy Fund appropriations for 2017 exceeded certified resources by \$5,388 and \$3,703, respectively, contrary to Ohio Rev. Code Section 5705.39. The Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2018 and 2017 for the General Fund, Police Levy Fund and Fire Equipment Levy Fund, as recorded in the Appropriation Status Report. We observed no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Revenue Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the Village received new restricted receipts. The Village established the Police Levy Fund, Fire Equipment Fund, and Road Levy Fund during 2017 to segregate tax levied receipts and disbursements, in compliance with Section 5705.09
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2018 and 2017 Interfund Transfer Listing Report for evidence of interfund transfers exceeding \$100 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Village did not establish these reserves.

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

10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2018 and 2017 for negative cash fund balance. Ohio Rev. Code Section 5705.10(l) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. There were no funds having negative cash fund balances.

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

We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2018 and 2017 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

### **Other Compliance**

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the Village filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the year ended December 31, 2018 in the Hinkle system. The 2017 financial information was filed on March 8, 2018, which was not within the allotted timeframe.
2. We inquired of the fiscal officer and inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. Fiscal Officer obtained the required training.
3. Ohio Rev. Code § 109.60(A)(1) requires Law Enforcement of Villages to report specific information to the Bureau of Criminal Identification and Investigation (BCI) for certain offenses. Village Law Enforcement shall immediately upon arrest of any person (or taking into custody for any child under 18) take and forward the person's or child's fingerprints. We inspected the NICS Process form to determine if there is an established method of fingerprint submission to BCI. The Village has an established method for fingerprint submission to BCI.

**Other Compliance – (Continued)**

4. For all credit card accounts we obtained: copies of existing internal control policies, a list of authorized users, and a list of all credit card account transactions.
  - a. We inspected the established policy obtained above and determined it:
    - i. In compliance with the HB 312 statutory requirements, and
    - ii. Implemented by the entity.

We found the Village's policy was not in accordance with HB 312. We found no other exceptions.

- b. We selected 5 credit card transactions made by employees for testing. For selected transactions we inspected documentation to determine that:
      - i. Each transaction was supported with original invoices and for a proper public purpose. We found no exceptions.

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

This report is to provide assistance in the evaluation of the Village's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 2, 2019

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OHIO AUDITOR OF STATE  
**KEITH FABER**



VILLAGE OF FAIRPORT HARBOR

LAKE COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 27, 2019