



Dave Yost • Auditor of State

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fairport Harbor, Lake County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Fairport Harbor, Lake County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$385,341	\$151,911	\$0	\$0	\$537,252
Municipal Income Tax	749,976	0	0	0	749,976
Intergovernmental	298,066	123,698	0	162,191	583,955
Special Assessments	0	72,902	0	0	72,902
Charges for Services	137,002	21,048	0	0	158,050
Fines, Licenses and Permits	87,722	15,587	0	0	103,309
Earnings on Investments	1,980	0	0	0	1,980
Miscellaneous	198,008	26,679	0	1,000	225,687
<i>Total Cash Receipts</i>	<u>1,858,095</u>	<u>411,825</u>	<u>0</u>	<u>163,191</u>	<u>2,433,111</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,163,365	96,022	0	0	1,259,387
Public Health Services	17,481	0	0	0	17,481
Leisure Time Activities	145	122,188	0	0	122,333
Community Environment	45,492	0	0	0	45,492
Transportation	133,950	156,991	0	207,280	498,221
General Government	495,207	735	0	0	495,942
Capital Outlay	0	5,275	0	121,832	127,107
Debt Service:					
Principal Retirement	0	0	30,564	0	30,564
Interest and Fiscal Charges	0	0	17,085	0	17,085
<i>Total Cash Disbursements</i>	<u>1,855,640</u>	<u>381,211</u>	<u>47,649</u>	<u>329,112</u>	<u>2,613,612</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,455</u>	<u>30,614</u>	<u>(47,649)</u>	<u>(165,921)</u>	<u>(180,501)</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	0	47,649	60,747	108,396
Transfers Out	(78,111)	(30,285)	0	0	(108,396)
Advances In	117,474	6,000	0	165,767	289,241
Advances Out	(171,767)	(6,000)	0	(111,474)	(289,241)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(132,404)</u>	<u>(30,285)</u>	<u>47,649</u>	<u>115,040</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(129,949)</u>	<u>329</u>	<u>0</u>	<u>(50,881)</u>	<u>(180,501)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,055,210</u>	<u>363,420</u>	<u>7,269</u>	<u>54,381</u>	<u>1,480,280</u>
Fund Cash Balances, December 31					
Restricted	0	363,749	7,269	3,500	374,518
Committed	310,506	0	0	0	310,506
Unassigned (Deficit)	614,755	0	0	0	614,755
<i>Fund Cash Balances, December 31</i>	<u>\$925,261</u>	<u>\$363,749</u>	<u>\$7,269</u>	<u>\$3,500</u>	<u>\$1,299,779</u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$547,015	\$0	\$547,015
Miscellaneous	2	0	2
<i>Total Operating Cash Receipts</i>	<u>547,017</u>	<u>0</u>	<u>547,017</u>
Operating Cash Disbursements			
Personal Services	230,553	0	230,553
Employee Fringe Benefits	85,346	0	85,346
Contractual Services	150,443	0	150,443
Supplies and Materials	66,092	0	66,092
<i>Total Operating Cash Disbursements</i>	<u>532,434</u>	<u>0</u>	<u>532,434</u>
<i>Operating Income (Loss)</i>	<u>14,583</u>	<u>0</u>	<u>14,583</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(86,148)	0	(86,148)
Principal Retirement	(84,153)	0	(84,153)
Interest and Other Fiscal Charges	(10,738)	0	(10,738)
Other Financing Sources	0	28,067	28,067
Other Financing Uses	0	(27,965)	(27,965)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(181,039)</u>	<u>102</u>	<u>(180,937)</u>
<i>Income (Loss) before Transfers</i>	(166,456)	102	(166,354)
Transfers In	94,891	0	94,891
Transfers Out	(94,891)	0	(94,891)
<i>Net Change in Fund Cash Balances</i>	(166,456)	102	(166,354)
<i>Fund Cash Balances, January 1</i>	<u>284,831</u>	<u>872</u>	<u>285,703</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$118,375</u></u>	<u><u>\$974</u></u>	<u><u>\$119,349</u></u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$383,714	\$161,469	\$0	\$0	\$545,183
Municipal Income Tax	704,918	0	0	0	704,918
Intergovernmental	298,252	126,092	0	155,951	580,295
Special Assessments	0	87,626	0	0	87,626
Charges for Services	128,743	18,200	0	0	146,943
Fines, Licenses and Permits	90,634	4,784	0	0	95,418
Earnings on Investments	2,804	0	0	0	2,804
Miscellaneous	101,106	68,148	0	11,265	180,519
<i>Total Cash Receipts</i>	<u>1,710,171</u>	<u>466,319</u>	<u>0</u>	<u>167,216</u>	<u>2,343,706</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,039,045	91,836	0	0	1,130,881
Public Health Services	19,429	0	0	0	19,429
Leisure Time Activities	56	175,993	0	0	176,049
Community Environment	32,577	0	0	0	32,577
Transportation	32,707	145,640	0	185,660	364,007
General Government	500,921	90	0	0	501,011
Debt Service:					
Principal Retirement	0	0	29,964	0	29,964
Interest and Fiscal Charges	0	0	17,619	0	17,619
<i>Total Cash Disbursements</i>	<u>1,624,735</u>	<u>413,559</u>	<u>47,583</u>	<u>185,660</u>	<u>2,271,537</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>85,436</u>	<u>52,760</u>	<u>(47,583)</u>	<u>(18,444)</u>	<u>72,169</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	34,448	47,584	17,526	99,558
Transfers Out	(69,338)	(30,220)	0	0	(99,558)
Advances In	51,802	27,245	0	77,354	156,401
Advances Out	(104,599)	(27,245)	0	(24,557)	(156,401)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(122,135)</u>	<u>4,228</u>	<u>47,584</u>	<u>70,323</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(36,699)</u>	<u>56,988</u>	<u>1</u>	<u>51,879</u>	<u>72,169</u>
<i>Fund Cash Balances, January 1</i>	<u>1,091,909</u>	<u>306,432</u>	<u>7,268</u>	<u>2,502</u>	<u>1,408,111</u>
Fund Cash Balances, December 31					
Restricted	0	363,420	7,269	54,381	425,070
Committed	406,178	0	0	0	406,178
Unassigned (Deficit)	649,032	0	0	0	649,032
<i>Fund Cash Balances, December 31</i>	<u>\$1,055,210</u>	<u>\$363,420</u>	<u>\$7,269</u>	<u>\$54,381</u>	<u>\$1,480,280</u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$553,993	\$0	\$553,993
Miscellaneous	3,340	0	3,340
<i>Total Operating Cash Receipts</i>	<u>557,333</u>	<u>0</u>	<u>557,333</u>
Operating Cash Disbursements			
Personal Services	203,083	0	203,083
Employee Fringe Benefits	67,148	0	67,148
Contractual Services	124,133	0	124,133
Supplies and Materials	66,512	0	66,512
<i>Total Operating Cash Disbursements</i>	<u>460,876</u>	<u>0</u>	<u>460,876</u>
<i>Operating Income (Loss)</i>	<u>96,457</u>	<u>0</u>	<u>96,457</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(82,369)	0	(82,369)
Interest and Other Fiscal Charges	(12,452)	0	(12,452)
Other Financing Sources	0	26,030	26,030
Other Financing Uses	0	(26,491)	(26,491)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(94,821)</u>	<u>(461)</u>	<u>(95,282)</u>
<i>Income (Loss) before Transfers</i>	1,636	(461)	1,175
Transfers In	94,821	0	94,821
Transfers Out	(94,821)	0	(94,821)
<i>Net Change in Fund Cash Balances</i>	1,636	(461)	1,175
<i>Fund Cash Balances, January 1</i>	<u>283,195</u>	<u>1,333</u>	<u>284,528</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$284,831</u></u>	<u><u>\$872</u></u>	<u><u>\$285,703</u></u>

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

Northeast Ohio Public Energy Council

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC in 2014 or 2013. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Solon, Ohio, 44139.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Deposits and Investments (Continued)

The Village invests in STAR Ohio (the State Treasurer's investment pool), certificates of deposit and a repurchase agreement. The investment in STAR Ohio is valued at amounts reported by the State Treasurer, the certificates of deposit and the Repurchase Agreement is valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

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

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

3. Debt Service Funds

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

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

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

4. Capital Project Funds

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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

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

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

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village did not have private purpose trust funds for the audit period.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court activity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2014	2013
Demand deposits	\$143,064	\$491,039
Certificates of deposit	1,264,598	1,263,481
Total deposits	<u>1,407,662</u>	<u>1,754,520</u>
STAR Ohio	11,466	11,463
Total deposits and investments	<u><u>\$1,419,128</u></u>	<u><u>\$1,765,983</u></u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and December 31, 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,688,462	\$1,975,569	\$287,107
Special Revenue	464,100	417,825	(46,275)
Debt Service	50,000	47,649	(2,351)
Capital Projects	400,320	389,705	(10,615)
Enterprise	665,100	641,908	(23,192)
Total	\$3,267,982	\$3,472,656	\$204,674

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,416,597	\$2,170,975	\$245,622
Special Revenue	575,600	417,496	158,104
Debt Service	50,000	47,649	2,351
Capital Projects	486,400	440,586	45,814
Enterprise	917,670	808,364	109,306
Total	\$4,446,267	\$3,885,070	\$561,197

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,619,930	\$1,761,973	\$142,043
Special Revenue	510,800	528,012	17,212
Debt Service	50,000	47,584	(2,416)
Capital Projects	279,780	262,096	(17,684)
Enterprise	780,540	652,154	(128,386)
Total	\$3,241,050	\$3,251,819	\$10,769

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,219,759	\$1,870,680	\$349,079
Special Revenue	598,100	471,024	127,076
Debt Service	49,000	47,583	1,417
Capital Projects	270,200	210,217	59,983
Enterprise	1,004,440	650,518	353,922
Total	\$4,141,499	\$3,250,022	\$891,477

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Property Tax

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

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

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

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - Backwash Project	\$ 182,444	3.50%
OPWC Loan - Water Storage Tank Repairs	54,817	3.00%
OPWC Loan - Water Valve Replacements	42,085	3.00%
OPWC Loan - New Street Waterline	56,250	0.00%
OPWC Loan - Plum Street Phase 1	74,375	0.00%
OPWC Loan - Plum Street Phase 2	61,478	0.00%
OPWC Loan - High Street Pavement Improvement	93,750	0.00%
OPWC Loan - New, Seventh, King and Burton	100,320	0.00%
OPWC Loan - Second and East	101,455	0.00%
OPWC Loan - King Street Improvement	55,800	0.00%
OPWC Loan - Water System Improvements	18,697	0.00%
USDA Loan - Senior Community Center	388,800	4.25%
Total	<u>\$ 1,230,271</u>	

The OWDA loan for the Backwash Project pertains to improvements to the water plant. OWDA issued the loan in 1999 for \$704,499. The loan will be repaid in semi-annual installments of \$24,638, including interest, over 20 years.

The Ohio Public Works Commission (OPWC) loan for Water Storage and Tank Repairs relates to improvements to the water storage. OPWC issued a loan in 2002 for \$122,900. The loan will be repaid in semi-annual payments of \$4,108, including interest, over 20 years.

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

The OPWC loan for Water Distribution System and Valve Replacement relates to water improvement projects. OPWC issued the loan in 2001 for \$107,319. The loan will be repaid in semi-annual payments of \$3,587, including interest over 20 years.

The OPWC loan for New Street Waterline Pavement and Improvements relates to improvements to the waterline and the road. OPWC issued the loan in 2002 for \$150,000. This loan will be repaid in semi-annual payments of \$3,750.

The OPWC loan for Plum Street Improvements – Phase 1 relates to improvements to Plum Street. OPWC issued the loan in 2003 for \$175,000. This loan will be repaid in semi-annual payments of \$4,375.

The OPWC loan for Plum Street Improvements – Phase 2 relates to improvements to Plum Street, OPWC issued the loan in 2004 for \$122,955. In 2005 the Village received the remainder of the loan of \$14,100. This loan will be repaid in semi-annual payments of \$3,074.

In 2006 the Village obtained a no-interest loan from OPWC for High Street Pavement Improvements. This project relates to improvements to High Street. The Village received \$150,000 in loan proceeds. This loan will be repaid in semi-annual payments of \$3,750.

The USDA Loan relates to Senior/Community Center General Obligation Bonds for the improvement of the Fairport Harbor Senior/Community Center. USDA issued general obligation bonds in 2003 for \$507,000 and will be repaid in annual installments, including interest, over 30 years.

The OPWC loan for New, Seventh, King and Burton Street Improvements relates to improvements to those streets. OPWC issued the loan in 2009 for \$133,759. This loan will be repaid in semi-annual payments of \$6,688.

The OPWC loan for Second and East Streets Improvements relates to improvements to those two streets. OPWC issued the loan in 2009 for \$135,274. This loan will be repaid in semi-annual payments of \$6,764.

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

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

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

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

Year ending December 31:	Backwash Project OWDA Loan	Water Storage Tank Repair OPWC Loan	Water Distribution Valve Replacement	New Street Waterline OPWC Loan
2015	49,276	8,216	7,016	\$7,500
2016	49,276	8,216	7,016	7,500
2017	49,276	8,216	7,016	7,500
2018	49,276	8,216	7,016	7,500
2019		8,216	7,016	7,500
2020-2022		16,432	10,550	18,750
Total	<u>\$197,104</u>	<u>\$57,512</u>	<u>\$45,630</u>	<u>\$56,250</u>

Year ending December 31:	Plum Street Improvement Phase 1 OPWC Loan	Plum Street Improvement Phase 2 OPWC Loan	High Street Pavement Improvement OPWC Loan	New, Seventh, High, King & Burton Streets OPWC Loan
2015	\$8,750	\$6,148	\$7,500	\$6,688
2016	8,750	6,148	7,500	6,688
2017	8,750	6,148	7,500	6,688
2018	8,750	6,148	7,500	6,688
2019	8,750	6,148	7,500	6,688
2020-2024	26,250	30,738	37,500	33,440
2025-2029	4,375		18,750	33,440
2030-2032				
Total	<u>\$74,375</u>	<u>\$61,478</u>	<u>\$93,750</u>	<u>\$100,320</u>

Year ending December 31:	Second and East Streets OPWC Loan	King Street OPWC Loan	Water System Improvement	Senior Community Center USDA Loan	TOTALS
2015	\$6,764	\$3,100	\$1,068	\$30,224	\$142,250
2016	6,764	3,100	1,068	30,285	142,311
2017	6,764	3,100	1,068	30,234	142,260
2018	6,764	3,100	1,068	30,201	142,227
2019	6,764	3,100	1,069	30,242	92,993
2020-2024	33,818	15,500	5,342	151,239	379,559
2025-2029	33,818	15,500	5,343	151,155	262,381
2030-2033		9,300	2,671	120,940	132,910
Total	<u>\$101,456</u>	<u>\$55,800</u>	<u>\$18,697</u>	<u>\$574,520</u>	<u>\$1,436,891</u>

**VILLAGE OF FAIRPORT HARBOR
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10% of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

8. Risk Management

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Fairport Harbor, Lake County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015



Dave Yost • Auditor of State

VILLAGE OF FAIRPORT HARBOR

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 22, 2015