



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF KIRTLAND HILLS
LAKE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Kirtland Hills
Lake County
8026 Chillicothe Road
Kirtland Hills, Ohio 44060

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and the fiduciary fund type combined total as of and for the years ended December 31, 2020 and 2019, and related notes of the Village of Kirtland Hills, Lake County, Ohio (the Village).

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 such 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.

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

As described in Note 2 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, 2020 and 2019, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and the fiduciary fund type combined total as of and for the years ended December 31, 2020, and 2019, and related notes of the Village, 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 2.

Emphasis of Matter

As discussed in Note 13 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 22, 2021

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Village of Kirtland Hills, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,097,196	\$14,477		\$1,111,673
Intergovernmental	289,954	331,079		621,033
Charges for Services	9,960			9,960
Fines, Licenses and Permits	15,011	860		15,871
Earnings on Investments	249,802			249,802
Miscellaneous	85,415			85,415
<i>Total Cash Receipts</i>	<u>1,747,338</u>	<u>346,416</u>		<u>2,093,754</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,195,499	16,971		1,212,470
Public Health Services	23,361			23,361
Community Environment	83,002			83,002
Transportation	69,649	342,045	\$128,350	540,044
General Government	212,686	265,416	190,435	668,537
<i>Total Cash Disbursements</i>	<u>1,584,197</u>	<u>624,432</u>	<u>318,785</u>	<u>2,527,414</u>
<i>Net Change in Fund Cash Balances</i>	163,141	(278,016)	(318,785)	(433,660)
<i>Fund Cash Balances, January 1</i>	<u>1,277,295</u>	<u>196,663</u>	<u>9,639,713</u>	<u>11,113,671</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,440,436</u></u>	<u><u>(\$81,353)</u></u>	<u><u>\$9,320,928</u></u>	<u><u>\$10,680,011</u></u>

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Statement of Additions, Deductions
and Changes in Fund Balances (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
Additions	
Deposits Received	\$8,991
Deductions	
Distributions to Other Funds (Primary Gov't)	38,902
Distributions of Deposits	3,941
<i>Total Deductions</i>	42,843
<i>Net Change in Fund Balances</i>	(33,852)
<i>Fund Cash Balances, January 1</i>	64,045
<i>Fund Cash Balances, December 31</i>	\$30,193

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Kirtland Hills (the Village), Lake County, 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. A publicly-elected seven-member Council governs the Village. The Village provides general government services, including maintenance of roads, zoning, and police services. The Village contracts with the City of Kirtland to receive fire protection services and ambulance services.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (cash basis) for its fiduciary fund type which are all organized on a fund type basis.

Fund Accounting

The Village uses funds 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 presented below:

General Fund - 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.

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 - This fund receives gasoline tax and motor vehicle tax money for construction, maintenance, and repairing Village streets.

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:

Capital Improvement Fund – This fund receives grants and general fund transfers to fund major capital outlay for the Village.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies – (Continued)

Custodial Funds - Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village’s custodial fund account for performance bond deposits which are held by the Village until work has been performed in a satisfactory manner. Upon completion of bonded work, the contractor requests the refund of the initial bond deposit.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the Village are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

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 Board 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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2020 budgetary activity appears in Note 3.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies – (Continued)

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.

The Village values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

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

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.

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.

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. The Village may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies – (Continued)

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 - Compliance

Contrary to Ohio law, at December 31, 2020, the Street Construction and Maintenance Repair fund had a cash deficit balance of \$231,595.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,558,295	\$1,747,338	\$189,043
Special Revenue	350,219	346,417	(3,802)
Capital Projects	0	0	0
Total	\$1,908,514	\$2,093,755	\$185,241

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,620,275	\$1,584,197	\$36,078
Special Revenue	639,666	624,432	15,234
Capital Projects	821,729	318,785	502,944
Total	\$3,081,670	\$2,527,414	\$554,256

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2020
Demand deposits	<u>\$1,066</u>
STAR Ohio	1,693
STAR PLUS	1,266
PNC Money Market Fund	1,536
HNB Money Market Fund	223,833
US Federal Agency Notes	<u>10,480,810</u>
Total investments	<u>10,709,138</u>
Total deposits and investments	<u><u>\$10,710,204</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$8,978 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village is also self-insured for employee health insurance. The Self-Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2020, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$29,250	0%

Amortization

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

Year Ending December 31:	OPWC Loan
2021	\$1,500
2022	1,500
2023	1,500
2024	1,500
2025	1,500
2026-2040	21,750
Total	\$29,250

The Village obtained a zero interest loan through Ohio Public Works Commission, payable over thirty years with payments due twice a year. The principal due at December 31, 2020 was \$29,250. \$750 were due on the loan in 2020.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Fund Balances

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Village didn't have any outstanding encumbrances at year end.

Note 13 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Statement of Additions, Deductions and Changes in Fund Balances (Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. These amounts are reflected as general government expenditures in the Special Revenue (Coronavirus Relief) Fund on the accompanying financial statements.

Village of Kirtland Hills, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,071,490	\$14,161		\$1,085,651
Intergovernmental	284,636	53,763	\$20,708	359,107
Charges for Services	13,797			13,797
Fines, Licenses and Permits	24,619	737		25,356
Earnings on Investments	296,296			296,296
Miscellaneous	29,695			29,695
<i>Total Cash Receipts</i>	<u>1,720,533</u>	<u>68,661</u>	<u>20,708</u>	<u>1,809,902</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,128,592	16,332	24,927	1,169,851
Public Health Services	22,611			22,611
Leisure Time Activities	608			608
Community Environment	77,623			77,623
Transportation	77,138	281,980	191,445	550,563
General Government	209,977		304,469	514,446
<i>Total Cash Disbursements</i>	<u>1,516,549</u>	<u>298,312</u>	<u>520,841</u>	<u>2,335,702</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>203,984</u>	<u>(229,651)</u>	<u>(500,133)</u>	<u>(525,800)</u>
Other Financing Receipts (Disbursements)				
Transfers In	500,000	250,000		750,000
Transfers Out	(250,000)		(500,000)	(750,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>250,000</u>	<u>250,000</u>	<u>(500,000)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	453,984	20,349	(1,000,133)	(525,800)
<i>Fund Cash Balances, January 1</i>	<u>823,311</u>	<u>176,314</u>	<u>10,639,846</u>	<u>11,639,471</u>
Fund Cash Balances, December 31				
Committed			9,639,713	9,639,713
Restricted		196,663		196,663
Unassigned	1,277,295			1,277,295
<i>Fund Cash Balances, December 31</i>	<u>\$1,277,295</u>	<u>\$196,663</u>	<u>\$9,639,713</u>	<u>\$11,113,671</u>

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2019

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Cash Receipts	
Other Non-Operating Receipts	\$15,035
Cash Disbursements	
Other Non-Operating Disbursements	3,000
<i>Net Change in Fund Cash Balance</i>	12,035
<i>Fund Cash Balance, January 1</i>	52,010
<i>Fund Cash Balance, December 31</i>	\$64,045

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Kirtland Hills, Lake 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 was incorporated as a Village in 1926. A publicly-elected seven-member Council governs the Village. The Village provides general government services, including maintenance of roads, zoning, and police services. The Village contracts with the City of Kirtland to receive fire protection services and ambulance services.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for its fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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 presented below:

General Fund - 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.

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 Fund:

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

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:

Capital Improvements Fund – This fund receives grants and general fund transfers to fund major capital outlay for the Village.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies – (Continued)

Agency Funds - 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 performance bond deposits which are held by the Village until work has been performed in a satisfactory manner. Upon completion of bonded work, the contractor requests the refund of the initial bond deposit.

Basis of Accounting

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 Board 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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

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.

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:

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

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.

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.

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. The Village may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the years ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,620,878	\$2,220,533	\$599,655
Special Revenue	82,031	318,661	236,630
Capital Projects	150,000	20,708	(129,292)
Total	\$1,852,909	\$2,559,902	\$706,993

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,586,712	\$1,766,549	(\$179,837)
Special Revenue	305,847	298,312	7,535
Capital Projects	1,143,900	1,020,841	123,059
Total	\$3,036,459	\$3,085,702	(\$49,243)

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool 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:

	2019
Demand deposits	\$10,621
STAR Ohio	1,681
STAR PLUS	1,258
PNC Money Market Funds	50,301
HNB Money Market Funds	124,568
US Federal Agency Notes	10,989,287
Total investments	11,167,095
Total deposits and investments	\$11,177,716

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2019, the Village is holding \$7,883 in unremitted employee payroll withholdings.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments – (Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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.

Note 6 - Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans - (Continued)

Ohio Police and Fire Retirement System

Village’s full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$30,000	0%

Amortization

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

Year Ending December 31:	OPWC Loan
2020	\$750
2021	1,500
2022	1,500
2023	1,500
2024	1,500
2025-2040	23,250
Total	\$30,000

The Village obtained a zero interest loan through Ohio Public Works Commission, payable over thirty years with payments due twice a year. The principal due at December 31, 2019 was \$30,000. No payments were due on the loan in 2019.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Kirtland Hills
Lake County
8026 Chillicothe Road
Kirtland Hills, Ohio 44060

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 for each governmental and the fiduciary fund type combined total as of and for the years ended December 31, 2020 and 2019, and related notes of the Village of Kirtland Hills, Lake County, Ohio (the Village) and have issued our report thereon dated October 22, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

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 financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 22, 2021

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDING NUMBER 2020-001

Material Weakness and Noncompliance Finding - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Ohio Rev. Code §§ 5705.14, 5705.15 and 5705.16 specify various requirements related to transfers between funds. Transfers may be made from the General Fund to any other fund of the subdivision with a resolution approved by a simple majority of the legislative board. However, transfers from restricted funds (funds other than the General Fund) are generally unallowable except in a few limited circumstances which are detailed in the Ohio Revised Code. GASB Cod. 1800.102 defines transfers as “flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment.”

The following error was identified in the 2020 financial statements:

- The Capital Project Fund’s transfers out were overstated and cash fund balance was understated by \$250,000. Conversely, the Special Revenue Fund’s transfers in and cash fund balance were overstated by \$250,000 due to interfund transfers being recorded to the accounting system that was not authorized by the Village Council nor the State Tax Commissioner as required by aforementioned Ohio Rev. Code sections. This error was adjusted to the financial statements and accounting records as approved by management.

The following errors was identified in the 2019 financial statements:

- The Capital Project Fund’s unassigned and assigned fund balances were overstated by \$270,000 and \$9,369,713 respectively, and committed fund balance was understated by \$9,639,713 due to an error in the fund balance classification. This was adjusted to the financial statements as agreed to by management.
- The General Fund’s transfers in and transfers out, were understated by \$250,000, respectively due to a financial statement omission error. This was adjusted to the financial statements as agreed to by management.

The Village shall ensure all applicable Ohio Revised Code requirements are adhered to when recording interfund transfers and should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper accounts. Management should review Ohio Compliance Supplement (OCS) Section 1-6 and Appendix A-1. The aforementioned resources provide additional guidance regarding interfund transfers requirements. Management should also review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials’ Response:

The Village will ensure passage of an ordinance by no less than 2/3 of all council members authorizing the transfer and will file with the Department of Taxation a fund transfer request pursuant to ORC 5705.16 for approval of the transfer.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF KIRTLAND HILLS

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/16/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov