



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Highland Hills
Cuyahoga County
3700 Northfield Road
Highland Hills, Ohio 44122

To the Members of 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 Highland Hills, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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(C) 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 adverse and qualified 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(C), 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(C) permit. Our opinion on this accounting basis is in the *Qualified Opinion on the 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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Qualified Opinions on 2017 and 2016 General Fund Fines, Licenses and Permits Receipts, Enterprise Fund Charges for Services Receipts, Agency Fund Charges for Services Receipts and 2017 and 2016 Beginning and Ending Fund Cash Balances for the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Agency Funds

The Village's 2017 and 2016 General Fund Fines, Licenses and Permits Receipts contained unsupported journal entries totaling \$58,495 and \$190,688, or 1% and 5% of the reported General Fund receipts, respectively. The Village's 2017 and 2016 Enterprise Fund Charges for Services Receipts contained unsupported journal entries and accounting system discrepancies totaling \$21,040 and \$681,658, or 4% and 100% of the reported Enterprise Fund receipts, respectively. The Village's 2017 and 2016 Agency Fund Charges for Services Receipts, totaling \$156,000 and \$145,000, respectively, were composed entirely of unsupported journal entries and had discrepancies with reported amounts in the Village's accounting system. These unsupported amounts and discrepancies also accounted for 3%, 100%, and 27% of the fund cash balances in the General, Enterprise and Agency Funds, respectively, for the year ended December 31, 2017, and 42%, 100%, and 21% of the fund cash balances in the General, Enterprise and Agency Funds, respectively, for the year ended December 31, 2016. We were unable to obtain sufficient, appropriate audit evidence supporting the amounts recorded as 2017 and 2016 General Fund Fines, Licenses and Permits Receipts, 2017 and 2016 Enterprise Fund Charges for Services Receipts, and 2017 and 2016 Agency Fund Charges for Services Receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. In addition, the bank reconciliations as of December 31, 2017 and 2016 contained net unreconciled differences of \$36,678 and \$308,604, respectively. Due to the receipt errors noted above and unreconciled bank differences, beginning and ending fund cash balances for 2017 and 2016 are misstated in the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Agency Funds.

Qualified Opinion on the Regulatory Basis of Accounting

In our opinion, except for the matters described in the *Basis for Qualified Opinions on 2017 and 2016 General Fund Fines, Licenses and Permits Receipts, Enterprise Fund Charges for Services Receipts, Agency Fund Charges for Services Receipts and 2017 and 2016 Beginning and Ending Fund Cash Balances for the General, Special Revenue, Debt Service, Capital Projects, Enterprise, and Agency Funds* paragraph above, the financial statements referred to above present fairly, in all material respects, the combined cash balances, receipts, and disbursements by fund type, and related notes of the Village of Highland Hills, Cuyahoga County, as of December 31, 2017 and 2016, and 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(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 15 to the financial statements for the year ended December 31, 2017, 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 January 18, 2023, 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

January 18, 2023

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Village of Highland Hills, Ohio
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$128,801	\$176,152	\$0	\$0	\$304,953
Municipal Income Tax	3,424,835	0	292,138	0	3,716,973
Intergovernmental	53,635	164,265	0	0	217,900
Special Assessments	0	36,108	0	0	36,108
Charges for Services	43,899	82,196	0	0	126,095
Fines, Licenses and Permits	315,913	1,620	0	0	317,533
Earnings on Investments	624	1	0	0	625
Miscellaneous	20,288	0	0	0	20,288
<i>Total Cash Receipts</i>	<u>3,987,995</u>	<u>460,342</u>	<u>292,138</u>	<u>0</u>	<u>4,740,475</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,158,774	886,829	0	0	2,045,603
Leisure Time Activities	85,320	0	0	0	85,320
Basic Utility Services	155,910	47,789	0	0	203,699
Transportation	94,451	119,481	0	0	213,932
General Government	2,201,163	0	7,216	0	2,208,379
Capital Outlay	0	0	0	564,956	564,956
Debt Service:					
Principal Retirement	14,394	1,695	204,609	0	220,698
Interest and Fiscal Charges	2,493	0	87,524	0	90,017
<i>Total Cash Disbursements</i>	<u>3,712,505</u>	<u>1,055,794</u>	<u>299,349</u>	<u>564,956</u>	<u>5,632,604</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>275,490</u>	<u>(595,452)</u>	<u>(7,211)</u>	<u>(564,956)</u>	<u>(892,129)</u>
Extraordinary Item	7,117	0	0	0	7,117
<i>Net Change in Fund Cash Balances</i>	282,607	(595,452)	(7,211)	(564,956)	(885,012)
<i>Fund Cash Balances, January 1</i>	<u>1,526,373</u>	<u>(548,375)</u>	<u>359,077</u>	<u>0</u>	<u>1,337,075</u>
Fund Cash Balances, December 31					
Restricted	0	0	351,866	0	351,866
Unassigned (Deficit)	1,808,980	(1,143,827)	0	(564,956)	100,197
<i>Fund Cash Balances, December 31</i>	<u>\$1,808,980</u>	<u>(\$1,143,827)</u>	<u>\$351,866</u>	<u>(\$564,956)</u>	<u>\$452,063</u>

See accompanying notes to the basic financial statements

Village of Highland Hills, Ohio
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$494,985	\$156,000	\$650,985
Fines, Licenses and Permits	0	88,566	88,566
Miscellaneous	3,704	0	3,704
<i>Total Operating Cash Receipts</i>	<u>498,689</u>	<u>244,566</u>	<u>743,255</u>
Operating Cash Disbursements			
Personal Services	490,376	0	490,376
Employee Fringe Benefits	10,217	0	10,217
Contractual Services	25,544	12,527	38,071
Supplies and Materials	7,329	0	7,329
Claims	0	0	0
Other	46,201	158,211	204,412
<i>Total Operating Cash Disbursements</i>	<u>579,667</u>	<u>170,738</u>	<u>750,405</u>
<i>Net Change in Fund Cash Balances</i>	(80,978)	73,828	(7,150)
<i>Fund Cash Balances, January 1</i>	<u>56,726</u>	<u>509,606</u>	<u>566,332</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$24,252)</u>	<u>\$583,434</u>	<u>\$559,182</u>

See accompanying notes to the basic financial statements

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Highland Hills (the Village), Cuyahoga 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 six-member Council directs the Village. The Village provides police and fire protection services, road maintenance, general government services and operates a Mayor's Court.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations and a public entity risk pool. Notes 11 and 6 to the financial statements provide additional information for these entities.

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 (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types 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:

Fire Levy Fund This fund accounts for and reports receipts of property tax and state monies restricted for the purpose of providing fire and protection to the Village's residents.

Debt Service Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 fund:

Bond Construction Fund The bond construction fund accounts for and reports the receipt of monies set aside for the purpose of the bond construction project.

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 Fund:

Rental Operations Fund The Village leases office space as well as tenant rental units in the building that also houses the Village's administrative offices. Receipts and disbursements associated with the leasing of this rental space are accounted for in an enterprise fund.

Fiduciary Funds Fiduciary funds for the Village are its 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 funds account for rental deposits, contractor deposits and the Village's Mayor's Court.

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 be budgeted annually.

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

A summary of 2017 budgetary activity appears in Note 3.

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.

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.

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.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,776,830	\$3,995,112	(\$781,718)
Special Revenue	1,306,806	460,342	(846,464)
Debt Service	292,133	292,138	5
Capital Projects	600,100	0	(600,100)
Enterprise	644,566	498,689	(145,877)
Agency	427,483	244,566	(182,917)
Total	\$8,047,918	\$5,490,847	(\$2,557,071)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,438,461	\$3,712,502	\$1,725,959
Special Revenue	986,344	1,054,903	(68,559)
Debt Service	288,383	299,349	(10,966)
Capital Projects	600,100	564,956	35,144
Enterprise	244,271	579,667	(335,396)
Fiduciary	365,778	170,738	195,040
Total	\$7,923,337	\$6,382,115	\$1,541,222

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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:

	<u>2017</u>
Demand deposits	<u>\$1,011,245</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

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.

Income Taxes

The Village levies a municipal income tax of 2.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. CCA collects taxes on the Village's behalf and remits them to the Village on a monthly basis.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some of the Village's 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

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 members in the OPERS Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
2006 Building Improvement Bonds	\$254,461	5.5%
2012 Cuyahoga County Bonds	\$1,095,000	3.0%
2016 Building Improvement Bonds	526,943	3.5%
Total	\$1,876,404	

In 2006, the Village issued \$430,000 in building improvement bonds. This debt was also to fund building improvements for the Village's municipal building. The bonds are paid in semi-annual installments with a maturity date of December 1, 2026.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

In 2012, Cuyahoga County issued bonds to the Village in the amount of \$1,725,000. The bonds are paid on semi-annual installments with a maturity date of November 15, 2025.

In 2016, Cuyahoga County issued general obligation bonds in the amount of \$575,100 for construction and improvements to the Village municipal building. Payments will begin in 2017, and be made on a quarterly basis with a final maturity date of December 15, 2026.

Amortization

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

Year Ending December 31:	2006 Building Improvement Bonds	2012 Cuyahoga County Bonds	2016 Building Improvement Bonds	Totals
2018	\$36,225	\$185,650	\$68,508	\$290,383
2019	36,225	188,550	68,508	293,283
2020	36,225	186,300	68,508	291,033
2021	36,225	188,800	68,508	293,533
2022	36,225	185,800	68,508	290,533
2023-2026	144,900	360,600	274,031	779,531
Total	<u>\$326,025</u>	<u>\$1,295,700</u>	<u>\$616,571</u>	<u>\$2,238,296</u>

Note 10 – Contingent Liabilities

The Village is not currently a defendant in any lawsuits.

The Village reached an agreement with the Internal Revenue Service in May 2017 to repay \$35,000 per month until final payment in March 2018. This satisfies the outstanding tax liability that the Village has incurred.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Jointly Governed Organizations

Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments (the Council) which operates the Chagrin/Southeast HazMat Response Team (the “Team”). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Village contributed \$3,500 to the Council in 2017. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team.

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 13 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2017, the Village contributed \$72,161 to the CVD. Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio 44141.

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in 200 communities in 13 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the ten-member NOPEC Board of Directors. The Board 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. The Village did not contribute to NOPEC during 2017. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Suburban Water Regional Council of Governments

The Village is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the City of Cleveland with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 70 communities.

SWRCOG's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The Village did not make any payments to SWRCOG during 2017. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

Valley Enforcement Regional Council of Governments

The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group ("VEG"), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed \$3,500 to VERCOG in 2017. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Jointly Economic Development Zone Agreement

The Village has a Joint Economic Development Zone Agreement with the City of Cleveland (the City) entered into pursuant to Ohio Revised Code Section 715.69. The City owns property currently situated in the Village and desires to develop the property to create job opportunities as well as tax and other revenue. The Village is responsible for constructing improvements and providing municipal services. The two municipalities have agreed to share in the zone agreement income tax revenues generated from this agreement. The City and the Village will each receive 50% of the income tax revenue. CCA administers this income tax. During 2017, \$1,874,850 of gross zone income tax was collected, of which \$937,425 represents the Village's portion. Financial information can be obtained by contacting the City of Cleveland, 601 Lakeside Avenue, Cleveland, Ohio 44114.

Note 13 – Agreement with Another Village

The Village of Highland Hills has an agreement with the Village of North Randall whereby the Village of Highland Hills picks up the garbage for North Randall residents for no monthly fees in exchange for the Village of North Randall providing central dispatch services for the Village of Highland Hills for a nominal monthly fee.

Note 14 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General and Marc Grant Funds by \$616,331 and \$3,420, respectively. Also contrary to Ohio law, budgetary disbursements exceeded appropriations in the Gasoline Tax, Fire Levy, SCMR, Lighting Assessment, General Obligation Bond Retirement, Rental Operations and Tenant Deposits Funds by \$35,863, \$94,638, \$59,795, \$22,804, \$8,879, \$10,966, \$335,396 and \$2,033, respectively.

Note 15 – 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021 and 2020, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Highland Hills, Ohio
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$106,074	\$143,632	\$0	\$0	\$249,706
Municipal Income Tax	3,629,523	0	219,875	0	3,849,398
Intergovernmental	51,807	14,359	0	0	66,166
Special Assessments	0	39,344	0	0	39,344
Charges for Services	1,781	40,650	0	0	42,431
Fines, Licenses and Permits	252,408	50	0	0	252,458
Earnings on Investments	525	2	0	0	527
Miscellaneous	26,125	0	0	0	26,125
<i>Total Cash Receipts</i>	<u>4,068,243</u>	<u>238,037</u>	<u>219,875</u>	<u>0</u>	<u>4,526,155</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,208,547	723,833	0	0	1,932,380
Public Health Services					0
Leisure Time Activities	54,311	0	0	0	54,311
Community Environment					0
Basic Utility Services	188,931	38,910	0	0	227,841
Transportation	163,575	4,451	0	0	168,026
General Government	1,808,093	26,478	0	0	1,834,571
Capital Outlay	0	152,341	0	216,023	368,364
Debt Service:					
Principal Retirement	0	0	135,246	0	135,246
Interest and Fiscal Charges	3	0	84,629	0	84,632
<i>Total Cash Disbursements</i>	<u>3,423,460</u>	<u>946,013</u>	<u>219,875</u>	<u>216,023</u>	<u>4,805,371</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>644,783</u>	<u>(707,976)</u>	<u>0</u>	<u>(216,023)</u>	<u>(279,216)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds	0	0	575,100	0	575,100
Transfers In	0	519,762	0	216,023	735,785
Transfers Out	(519,762)	0	(216,023)	0	(735,785)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(519,762)</u>	<u>519,762</u>	<u>359,077</u>	<u>216,023</u>	<u>575,100</u>
Extraordinary Item	21,765	0	0	0	21,765
<i>Net Change in Fund Cash Balances</i>	146,786	(188,214)	359,077	0	317,649
<i>Fund Cash Balances, January 1</i>	<u>312,295</u>	<u>160,499</u>	<u>0</u>	<u>0</u>	<u>472,794</u>
Fund Cash Balances, December 31					
Restricted	0	126,297	359,077	0	485,374
Assigned	372,852	0	0	0	372,852
Unassigned (Deficit)	86,229	(154,012)	0	0	(67,783)
<i>Fund Cash Balances, December 31</i>	<u>\$459,081</u>	<u>(\$27,715)</u>	<u>\$359,077</u>	<u>\$0</u>	<u>\$790,443</u>

See accompanying notes to the basic financial statements

Village of Highland Hills, Ohio
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$681,558	\$145,000	\$826,558
Fines, Licenses and Permits	0	220,072	220,072
Miscellaneous	24	0	24
<i>Total Operating Cash Receipts</i>	<u>681,582</u>	<u>365,072</u>	<u>1,046,654</u>
Operating Cash Disbursements			
Personal Services	530,631	35,953	566,584
Employee Fringe Benefits	14,718	0	14,718
Contractual Services	58,803	40,291	99,094
Supplies and Materials	62,482	0	62,482
Other	45,866	192,080	237,946
<i>Total Operating Cash Disbursements</i>	<u>712,500</u>	<u>268,324</u>	<u>980,824</u>
<i>Net Change in Fund Cash Balances</i>	(30,918)	96,748	65,830
<i>Fund Cash Balances, January 1</i>	<u>99,523</u>	<u>606,874</u>	<u>706,397</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$68,605</u></u>	<u><u>\$703,622</u></u>	<u><u>\$772,227</u></u>

See accompanying notes to the basic financial statements

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Highland Hills (the Village), Cuyahoga 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 six-member Council directs the Village. The Village provides police and fire protection services, road maintenance, general government services and operates a Mayor's Court.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations and a public entity risk pool. Notes 11 and 6 to the financial statements provide additional information for these entities.

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 (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types 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:

Fire Levy Fund This fund accounts for and reports receipts of property tax and state monies restricted for the purpose of providing fire and protection to the Village's residents.

Debt Service Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 fund:

Bond Construction Fund The bond construction fund accounts for and reports the receipt of monies set aside for the purpose of the bond construction project.

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 Fund:

Rental Operations Fund The Village leases office space as well as tenant rental units in the building that also houses the Village's administrative offices. Receipts and disbursements associated with the leasing of this rental space are accounted for in an enterprise fund.

Fiduciary Funds Fiduciary funds for the Village are its 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 funds account for rental deposits, contractor deposits and the Village's Mayor's Court.

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 be budgeted annually.

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

A summary of 2016 budgetary activity appears in Note 3.

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.

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.

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.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,066,411	\$4,090,008	(\$976,403)
Special Revenue	919,448	757,799	(161,649)
Debt Service	219,875	794,975	575,100
Capital Projects	229,975	216,023	(13,952)
Enterprise	625,793	681,582	55,789
Agency	279,483	365,072	85,589
Total	\$7,340,985	\$6,905,459	(\$435,526)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,757,902	\$3,943,222	\$814,680
Special Revenue	945,055	946,013	(958)
Debt Service	219,875	435,898	(216,023)
Capital Projects	229,975	216,023	13,952
Enterprise	546,754	712,500	(165,746)
Agency	352,331	268,324	84,007
Total	\$7,051,892	\$6,521,980	\$529,912

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

	2016
Demand deposits	<u>\$1,562,670</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

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.

Income Taxes

The Village levies a municipal income tax of 2.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. CCA collects taxes on the Village's behalf and remits them to the Village on a monthly basis.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u><u>\$5,234,206</u></u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some of the Village’s 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2016.

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 members in the OPERS Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
2006 Building Improvement Bonds	\$275,806	5.5%
2012 Cuyahoga County Bonds	\$1,230,000	3.0%
2016 Building Improvement Bonds	575,100	3.5%
Total	\$2,080,906	

In 2006, the Village issued \$430,000 in building improvement bonds. This debt was also to fund building improvements for the Village’s municipal building. The bonds are paid in semi-annual installments with a maturity date of December 1, 2026.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

In 2012, Cuyahoga County issued bonds to the Village in the amount of \$1,725,000. The bonds are paid on semi-annual installments with a maturity date of November 15, 2025.

In 2016, Cuyahoga County issued general obligation bonds in the amount of \$575,100 for construction and improvements to the Village municipal building. Payments will begin in 2017, and be made on a quarterly basis with a final maturity date of December 15, 2026.

Amortization

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

Year Ending December 31:	2006 Building Improvement Bonds	2012 Cuyahoga County Bonds	2016 Building Improvement Bonds	Totals
2017	\$36,225	\$187,400	\$68,508	\$292,133
2018	36,225	185,650	68,508	290,383
2019	36,225	188,550	68,508	293,283
2020	36,225	186,300	68,508	291,033
2021	36,225	188,800	68,508	293,533
2022-2026	181,125	546,400	342,539	1,070,064
Total	<u>\$362,250</u>	<u>\$1,483,100</u>	<u>\$685,079</u>	<u>\$2,530,429</u>

Note 10 – Contingent Liabilities

The Village is not currently a defendant in any lawsuits.

The Village reached an agreement with the Internal Revenue Service in May 2017 to repay \$35,000 per month until final payment in March 2018. This satisfies the outstanding tax liability that the Village has incurred.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Jointly Governed Organizations

Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments (the Council) which operates the Chagrin/Southeast HazMat Response Team (the “Team”). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Village contributed \$3,500 to the Council in 2016. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team.

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 13 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept an raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2016, the Village contributed \$67,056 to the CVD. Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio 44141.

Suburban Water Regional Council of Governments

The Village is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the City of Cleveland with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 70 communities.

SWRCOG’s Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The Village did not make any payments to SWRCOG during 2016. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

Village of Highland Hills, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in 200 communities in 13 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 community then elect one person to serve on the ten-member NOPEC Board of Directors. The Board 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. The Village did not contribute to NOPEC during 2016. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Note 12 – Jointly Economic Development Zone Agreement

The Village has a Joint Economic Development Zone Agreement with the City of Cleveland (the City) entered into pursuant to Ohio Revised Code Section 715.69. The City owns property currently situated in the Village and desires to develop the property to create job opportunities as well as tax and other revenue. The Village is responsible for constructing improvements and providing municipal services. The two municipalities have agreed to share in the zone agreement income tax revenues generated from this agreement. The City and the Village will each receive 50% of the income tax revenue. CCA administers this income tax. During 2016, \$1,690,084 of gross zone income tax was collected, of which \$845,042 represents the Village's portion. Financial information can be obtained by contacting the City of Cleveland, 601 Lakeside Avenue, Cleveland, Ohio 44114.

Note 13 – Agreement with Another Village

The Village of Highland Hills has an agreement with the Village of North Randall whereby the Village of Highland Hills picks up the garbage for North Randall residents for no monthly fees in exchange for the Village of North Randall providing central dispatch services for the Village of Highland Hills for a nominal monthly fee.

Note 14 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Lighting Assessment Fund by \$30,391. Also contrary to Ohio law, budgetary disbursements exceeded appropriations in the Gasoline Tax, SCMR, Community Development Block Grant, Marc Grant, General Obligation Bond Retirement, Rental Operations Tenant Deposits, and Mayor's Court Funds by \$45,038, \$7,782, \$378, \$216,023, \$165,746, \$27,760 and \$13,233, respectively.

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 Highland Hills
Cuyahoga County
3700 Northfield Road
Highland Hills, Ohio 44122

To the Members of 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 Highland Hills, Cuyahoga County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated January 18, 2023, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We qualified our opinion on 2017 and 2016 General Fund Fines, Licenses and Permits receipts; Enterprise Fund Charges for Services receipts; and Agency Fund Charges for Services receipts, as well as beginning and ending Fund Cash Balances of the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Agency Funds due to unsupported journal entries, accounting discrepancies, and other reconciling issues. We also noted the financial impact of COVID-19 and the related 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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 to 2017-004 and 2017-011 to be material weaknesses.

Efficient • Effective • Transparent

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-005 to 2017-010 and 2007-012.

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

January 18, 2023

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Bank Reconciliations – Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Finance Director is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared timely or reviewed each month of 2017 and 2016. Furthermore, a lack of review and timely preparation of the reconciliations led to errors going undetected. The overall fund balance on the Village's financial statements did not agree to the Village's reconciled fund balance at December 31, 2017 and 2016. The following differences were not accounted for on the Village's reconciliations:

- Net uncorrected prior year discrepancies totaling \$43,207; and
- The addition of a beginning cash fund balance for a new fund created in 2016, totaling \$11,074.

These differences, in conjunction with the matters disclosed in Findings 2017-002 and 2017-003, resulted in net unreconciled differences totaling \$36,678 and \$308,604 at December 31, 2017 and 2016, respectively.

Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Additionally, the lack of accurate monthly reconciliations during 2017 and 2016 led to the theft/fraud over the cash cycle detailed in Finding 2017-013 and the inability of the Village to accurately report amounts in the annual financial statements, as detailed in Finding 2017-002.

The Finance Director should record all transactions and prepare monthly bank to book cash reconciliations in a timely manner, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. Finally the Village should investigate or contract with an experienced accountant or consultant to address past variances with overall cash balances and individual fund cash balances.

Officials' Response: We did not receive a response from Officials to this finding.

**VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2017-002

Financial Reporting – Material Weakness

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.

The following material errors were noted and subsequent adjustments made by the Village to its financial statements and notes for 2017:

- Capital Outlay disbursements totaling \$564,956 were misposted as General Government disbursements in the Capital Projects Fund;
- Charges for Services receipts totaling \$156,000 were misposted as Fines, Licenses and Permits receipts in the Agency Fund;
- Budgeted receipts in the Budgetary Activity Note for the Debt Service were overstated and Agency Funds were understated by \$575,100 and \$427,483, respectively; and
- Appropriation Authority in the Budgetary Activity Note for the Debt Service Fund was overstated by \$216,023.

The following material errors were noted and subsequent adjustments made by the Village to its financial statements and notes for 2016:

- Agency Fund Contractor and Tenant Charges for Services totaling \$145,000 were misposted to the General Fund;
- Community Development Block Grant disbursements totaling \$152,341 were misposted as negative intergovernmental receipts in the Community Development Block Grant Special Revenue Fund;
- Capital Outlay disbursements totaling \$216,023 were misposted as General Government disbursements in the Capital Projects Fund;
- Budgeted receipts in the Budgetary Activity Note for the Debt Service were overstated, and Capital Projects and Agency Funds were understated by \$575,100, \$229,975 and \$219,138, respectively; and
- Appropriation Authority in the Budgetary Activity Note for the Special Revenue and Agency Funds were understated and the Debt Service Fund was overstated by \$146,230, \$219,138, and \$216,023, respectively.

Additional immaterial errors ranging from \$2,493 to \$67,088 were noted and, where applicable, adjusted to the Village's financial statements for 2017. Additional immaterial errors ranging from \$1,161 to \$86,229 were noted and, where applicable, adjusted to the Village's financial statements for 2016.

The lack of controls over the posting of financial transactions and financial reporting resulted in the errors and mispostings that required adjustments.

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-002
(Continued)

Financial Reporting – Material Weakness (Continued)

Furthermore, the Village could not substantiate General Fund Fines, Licenses and Permits receipts, Enterprise Fund Charges for Services receipts and Agency Fund Charges for Services receipts in 2017 and 2016, respectively. The lack of controls over the reporting of these receipt amounts and the Village's unaccounted differences on its bank reconciliations, described in Finding 2017-001, resulted in the Village receiving a qualified opinion on its General Fund Fines, Licenses and Permits receipts, Enterprise Fund Charges for Services, Agency Fund Charges for Services and Fund Cash Balances at December 31, 2017 and 2016.

We recommend the Village take appropriate measures to ensure all financial reports are in agreement, all balances reflect the actual financial activity of the Village and all annual financial reports depict the accurate financial position of the Village.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-003

Accounting System Functionality – Material Weakness

Sound accounting practices require accurately posting financial transactions as well as estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Village Council to make informed decisions regarding financial and budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Village Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village used CenterPoint for all accounting functions other than payroll and purchase order generation. CenterPoint had no functionality for budgetary integration. Thus, the Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Village Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Furthermore, there were several key pieces of transactional information that was either entered incorrectly or not entered at all in the CenterPoint accounting system, including receipts, disbursements and transfers.

**VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

**FINDING NUMBER 2017-003
(Continued)**

Accounting System Functionality – Material Weakness (Continued)

Failure to accurately post financial transactions as well as the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of financial and budgetary information in the financial statements and notes to the financial statements and an inability for the Village to track encumbrances in its accounting system.

The Village should use an accounting system that appropriately integrates budgetary and basic accounting functions. To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, financial transactions, estimated resources as certified by the budget commission, and appropriations approved by the Village Council. The Village should then monitor financial reports, including budget versus actual reports, to help ensure financial information, amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-004

Maintenance of Accounting Records – Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all expenditures are made for a proper public purpose.

The Village could not produce the following accounting records for the year ended December 31, 2017:

- Four of 10 emergency medical service receipts did not include supporting documentation to determine proper depositing;
- Four of 61 rental receipts tested were missing all or a portion of necessary supporting documentation;
- Two of 31 nonpayroll cash disbursements tested did not contain sufficient supporting documentation; and
- Salary notifications or hourly rate documentation for five of 32 payroll transactions tested.

The Village could not produce the following accounting records for the year ended December 31, 2016:

- Two of nine contractor and tenant deposit receipts tested were journal entries in the Village's accounting system and no supporting documentation for these entries was maintained;
- One of five emergency medical service receipts tested had no supporting documentation maintained;
- Seven of 65 rental receipts tested were missing all or a portion of necessary supporting documentation;
- Salary notifications or hourly rate documentation for 20 of 31 payroll transactions tested; and
- Four of 10 personnel files for employees reviewed. Additionally, for two of the six employees reviewed that did have personnel files, retirement documentation was not maintained.

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-004
(Continued)

Maintenance of Accounting Records – Material Weakness (Continued)

Failure to maintain underlying documentation and support for financial activities can increase the risk of fraud or result in financial statement misstatements, and disbursements that are not for a proper public purpose.

The Village should maintain all necessary financial documentation to support financial transactions.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-005

Timely Deposits – Noncompliance

Ohio Rev. Code § 9.38 provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

The Village did not have an approved policy to extend the time between collection and deposit beyond one business day.

During 2017, the following receipts were either not deposited or did not contain evidence of being deposited on the following business day:

- 10 of 10 emergency medical service receipts, totaling \$4,134;
- 61 of 61 rental receipts, totaling \$27,388;
- Eight of nine contractor and tenant deposits, or \$153,895 out of \$154,295; and
- Five of five fines, licenses and permits receipts, totaling \$804.

During 2016, the following receipts were either not deposited or did not contain evidence of being deposited on the following business day:

- Three of five emergency medical service receipts, or \$519 out of \$1,849;
- 64 of 64 rental receipts, totaling \$216,636; and
- Seven of seven contractor and tenant deposits, totaling \$54,308.

The failure to deposit public money with the treasurer of the public office or to a designated depository may result in lost, misplaced, or stolen monies not being detected in a timely manner.

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-005
(Continued)

Timely Deposits – Noncompliance (Continued)

The Village should maintain the necessary supporting documentation to confirm compliance, as well as draft, approve, and implement policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-006

Negative Cash Fund Balances – Noncompliance

Ohio Rev. Code § 5705.10(I) states money that is paid into a fund must be used only for the purposes for which such fund has been established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The following funds had deficit fund cash balances as of December 31, 2017:

<u>Fund</u>	<u>Amount</u>
Fire Levy	\$630,304
Lighting Assessment	11,246
Community Development Block Grant	4,011
Municipal Complex Renovation	564,956
Rental Operations	24,252

The following fund had a deficit fund cash balance as of December 31, 2016:

<u>Fund</u>	<u>Amount</u>
Community Development Block Grant	\$154,011

There were also various deficit fund cash balances throughout each year. Negative fund balances could result in the use of restricted receipts for unallowable purposes.

A procedure(s) and control(s), such as the Village Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-006
(Continued)

Negative Cash Fund Balances – Noncompliance (Continued)

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-007

Appropriations in Excess of Estimated Resources – Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2017 the Village's appropriations exceeded the amount certified as available by the budget commission in the General Fund and Marc's Grant Special Revenue Fund by \$616,631 and \$3,420, respectively. At December 31, 2016, the Village's appropriations exceeded the amount certified as available by the budget commission in the Lighting Assessment Special Revenue Fund by \$30,391.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Village Council to reduce the appropriations.

Officials' Response: We did not receive a response from Officials to this finding.

**VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)**

FINDING NUMBER 2017-008

Disbursements in Excess of Appropriations – Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village had disbursements in excess of appropriations in the following funds:

Fund	Appropriations	Disbursements	Variance
As of December 31, 2017:			
Gasoline Tax	\$0	\$35,863	\$35,863
Fire Levy	794,014	888,652	94,638
SCMR	0	59,795	59,795
State Highway	0	22,804	22,804
Lighting Assessment	38,910	47,789	8,879
General Obligation Bond Retirement	288,383	299,349	10,966
Rental Operations	244,271	579,667	335,396
Tenant Deposits	8,193	10,226	2,033

Fund	Appropriations	Disbursements	Variance
As of December 31, 2016:			
SCMR	\$0	\$45,038	\$45,038
Community Development Block Grant	146,229	154,011	7,782
Marc's Grant	3,582	3,960	378
General Obligation Bond Retirement	219,875	435,898	216,023
Rental Operations	546,754	712,500	165,746
Tenant Deposits	8,193	35,953	27,760
Mayor's Court	219,138	232,371	13,233

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Finance Director should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response: We did not receive a response from Officials to this finding.

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-009

Approval of Transfers – Noncompliance

Ohio Rev. Code §§ 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. In certain circumstances, which are detailed in Ohio Rev. Code § 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

In addition to transfers permitted by Ohio Rev. Code § 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and, until September 29, 2017, the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code § 5705.15.

In 2016, the Village made \$519,762 in transfers from the General Fund to the Fire Levy Special Revenue Fund and \$216,023 from the General Obligation Bond Retirement Debt Service Fund to the Municipal Complex Renovation Capital Projects Fund without formal Council approval documenting the amount, source fund or debtor funds. By not clearly identifying all transfers by resolution of the Village Council passed with a two-thirds affirmative vote, or, in the case of transfers from the General Fund, by a resolution passed by a simple majority of the Village Council, the Village may make illegal or improper transfers, which could later result in deficit fund balances or improper spending.

The Village should make transfers in accordance with the above Ohio Rev. Code sections. All transfers should be approved by the Village Council as required by the Ohio Rev. Code prior to being entered into the Village's accounting system.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-010

Annual Financial Reporting – Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year, certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year.

The Village did not file its complete financial reports for the years ended December 31, 2017 and 2016 until March 7, 2022 and March 4, 2022, respectively. Furthermore, the filed reports contained balances and totals which did not agree to the Village's accounting system, and in many cases were significantly misstated, as noted in Finding 2017-002. By not filing accurate financial reports timely, the Village is not fulfilling its duties of accountability and transparency to the public.

The Village should ensure that accurate financial reports are filed within the required 60-day deadline in accordance with the above Ohio Rev. Code Section.

Officials' Response: We did not receive a response from Officials to this finding.

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-011

Service Organization Controls, Reporting and Monitoring – Material Weakness

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

In 2016 and up until September 2017, the Village utilized T.G. Higgins Business Services Inc. for its Emergency Medical Services (EMS) billing, which is a significant accounting function. The company bills Village customers who use ambulance services. The Village is responsible for implementing effective internal control structure policies and procedures for those transactions to ensure the service organization has an adequate internal control structure.

The Village has not established procedures to determine whether this service organization has sufficient controls implemented and operating effectively to reasonably assure that EMS billings have been authorized and completely and accurately processed in accordance with the contract. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Village with reasonable assurance that EMS billing transactions conform to the contract. T.G. Higgins did not have a report prepared in accordance with AT-C 320 for 2017 or 2016.

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-011
(Continued)

Service Organization Controls, Reporting and Monitoring – Material Weakness (Continued)

Failure to perform adequate control procedures resulted in the Village not timely posting receipts during 2017 and 2016, causing a loss in receipts. The Village did switch to a new service organization for EMS billing in September 2017 that furnished a report prepared in accordance with AT-C 320.

The Village should require a Type 2, SOC 1 report in its contract with any third-party administrator and should review the report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Village with a Type 2, SOC 1 report, the Village should contract with a third-party administrator that will provide this report.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-012

Findings for Recovery Partially Repaid Under Audit – Pension Penalties and Tax Payments – Noncompliance

Ohio Rev. Code § 145.47 states, in part, each public employee who is a contributor to the public employee retirement systems (OPERS) shall contribute eight per cent of the contributor's earnable salary to the employee's saving fund, except that the public employees retirement board may raise the contribution rate to a rate not greater than ten per cent of the employee's earnable salary.

The head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable percent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employee of such employer is filed thirty or more day after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter.

**VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)**

**FINDING NUMBER 2017-012
(Continued)**

Findings for Recovery Partially Repaid Under Audit – Pension Penalties and Tax Payments – Noncompliance (Continued)

Ohio Rev. Code § 742.32 states, in part, the fiscal officer of each employer shall transmit monthly to the secretary of the board of trustees of the Ohio police and fire pension fund (OP&F) a report of employee deductions in such form as the board requires. The report shall show all deductions for the fund made pursuant to section 742.31 of the Revised Code and shall be accompanied by payments covering the total of such deductions. The report shall also include the name of each member for whom deductions were made and the portion of the payment attributed to that member. Separate payments shall be so transmitted for that portion of such deductions made from the salaries of member of the police department and for that portion of such deductions made from the salaries of members of the fire department. The report and payment are due the last day of the month following the last business day of the reporting period.

A penalty determined under section 742.352 of the Revised Code shall be assessed if any of the following occur:

- 1) The report is received by the board after the due date or is not in the form required by the board; or
- 2) Payments to cover the total amount due from the salaries of all employees of the employer are received by the board after the due date.

26 U.S.C. § 3403 states employers are liable for the payment of tax required to be deducted and withheld.

Based on confirmations received from OPERS and OP&F, the Village did not submit the following remittances in a timely manner:

- Public Employees Retirement System remittances were submitted late in six of 12 months in 2017;
- Public Employees Retirement System remittances were submitted late in four of 12 months in 2016; and
- Police and Fire Pension Fund remittances were submitted late in two out of 12 months in 2016.

As a result, late penalties and interest were paid, as follows:

Period	Finance Director	OPERS Late Penalties and Interest	OP&F Late Penalties	Total
January 1, 2017 to December 31, 2017	Duane Morris	\$770	\$0	\$770
July 1, 2016 to December 31, 2016	Duane Morris	346	500	846
	Total	1,116	500	1,616
January 1, 2016 to June 30, 2016	Andrea Morris	270	250	520
	Totals	\$1,386	\$750	\$2,136

VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

FINDING NUMBER 2017-012
(Continued)

Findings for Recovery Partially Repaid Under Audit – Pension Penalties and Tax Payments – Noncompliance (Continued)

The Village also failed to remit federal income tax payments timely to the Internal Revenue Service (IRS) for income tax during fiscal year 2016. The Village was placed on a payment plan with the Internal Revenue Service in 2017 for the remittances due during 2016.

The Village should report and remit monies due to the IRS, OPERS and OP&F in a timely manner, as required by the above Ohio Rev. Code Sections and U.S.C.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Andrea Morris and her bonding company, Western Surety, jointly and severally, in the amount of \$520, and also against Duane Morris and his bonding company, Love Insurance, jointly and severally, in the amount of \$1,616, respectively, and in favor of the Village of Highland Hills General fund, in the amount of \$2,136.

On December 30, 2022, former Finance Director Andrea Morris repaid \$520 to the Village.

Additionally, this matter has been referred to the Internal Revenue Service, Ohio Public Employees Retirement System and Ohio Police and Fire Pension Fund.

Officials' Response: We did not receive a response from Officials to this finding.

**VILLAGE OF HIGHLAND HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS report.

FINDING NUMBER 2017-013

Findings for Recovery – Rental and Vending Receipts

The Village owns apartment buildings and collects rental payments from residents along with cash from vending machines inside the buildings. The control structure at the Village was such that the rental office employees would collect the rental payments and cash inside the vending machines and log the payment in the receipt book with a date, their name as the issuer, amount, remitter, and form of payment. This was compiled into a Daily Control Log report, which was provided to former Village Administrator, Danita Love. Ms. Love would sign the Daily Control Log report upon agreement with the deposit, and the receipt would be logged into the computer system to post to the individual account. There were no formal policies or procedures in place documenting the process to be followed for rental receipt collections. Rental lease agreements were not properly maintained and unable to be located by the Village.

During the period, January 1, 2017 through December 31, 2017, we identified 91 rental and vending receipts totaling \$18,600 which were not posted to the Daily Control Log or deposited to the Village's operating bank account. Of this amount, \$17,633 was collected by Angela Jones, \$256 by Danita Love, \$130 by Dale Carter, and \$581 by Velma Ashford.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against Angela Jones in the amount of \$17,633 and a Finding for Recovery for public monies collected but unaccounted for is hereby issued against Danita Love in the amount of \$256, Dale Carter in the amount of \$130, and Velma Ashford in the amount of \$581, all in favor of Village of Highland Hills Rental Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

During the period, Danita Love was responsible for signing the Daily Control Log reports indicating verification of the receipts to the deposit, and the receipt would subsequently be logged into the computer system to post to the individual account.

Accordingly, Danita Love will be jointly and severally liable for public property converted or misappropriated and public money collected but unaccounted for in the amount of \$18,344, and in favor of Village of Highland Hills Rental Fund.

Officials' Response: We did not receive a response from Officials to this finding.



Village of Highland Hills

Finance Department

3700 Northfield Road * Highland Hills, OH 44122
 phone 216.283.3000 fax 216.283.3005

VILLAGE OF HIGHLAND HILLS CUYAHOGA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Bank Reconciliations	Not Corrected	Re-Issued as Finding 2017-001
2015-002	Outstanding Checks	Fully Corrected	
2015-003	Financial Reporting	Not Corrected	Re-Issued as Finding 2017-002
2015-004	Required Accounting Records	Not Corrected	Re-Issued as Finding 2017-003
2015-005	Posting of Tax Levies to Bond Retirement	Fully Corrected	
2015-006	Timely Deposits	Not Corrected	Re-Issued as Finding 2017-005
2015-007	Reporting to OPERS and OP&F	Not Corrected	Re-Issued as part of Finding 2017-012
2015-008	Approval of Transfers	Not Corrected	Re-Issued as Finding 2017-009
2015-009	Annual Financial Reporting	Not Corrected	Re-Issued as Finding 2017-010
2015-010	Appropriations in Excess of Estimated Resources	Not Corrected	Re-Issued as Finding 2017-007
2015-011	Expenditures in Excess of Appropriations	Not Corrected	Re-Issued as Finding 2017-008
2015-012	Service Organization Controls, Reporting and Monitoring	Not Corrected	Re-Issued as Finding 2017-011
2015-013	Summary Schedule of Prior Audit Findings	Not Corrected	Re-Issued in Management Letter

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF HIGHLAND HILLS

CUYAHOGA 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 2/16/2023

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