



Dave Yost • Auditor of State

VILLAGE OF KIRTLAND HILLS
LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Kirtland Hills, Lake County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Kirtland, Lake County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, 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.

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Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2017

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$754,926	\$14,558		\$769,484
Intergovernmental	232,906	47,365	\$35,708	315,979
Special Assessments		13,745		13,745
Charges for Services	12,128			12,128
Fines, Licenses and Permits	39,199			39,199
Earnings on Investments	512,396			512,396
Miscellaneous	29,556			29,556
<i>Total Cash Receipts</i>	<u>1,581,111</u>	<u>75,668</u>	<u>35,708</u>	<u>1,692,487</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,173,833	21,421		1,195,254
Public Health Services	18,616			18,616
Leisure Time Activities	767			767
Community Environment	75,400			75,400
Transportation	124,895	170,960	50,000	345,855
General Government	247,535		76,064	323,599
Capital Outlay			336,104	336,104
<i>Total Cash Disbursements</i>	<u>1,641,046</u>	<u>192,381</u>	<u>462,168</u>	<u>2,295,595</u>
<i>Net Change in Fund Cash Balances</i>	(59,935)	(116,713)	(426,460)	(603,108)
<i>Fund Cash Balances, January 1</i>	<u>702,296</u>	<u>269,585</u>	<u>12,497,673</u>	<u>13,469,554</u>
Fund Cash Balances, December 31				
Restricted		152,872		152,872
Committed			12,071,213	12,071,213
Assigned	282,640			282,640
Unassigned	359,721			359,721
<i>Fund Cash Balances, December 31</i>	<u>\$642,361</u>	<u>\$152,872</u>	<u>\$12,071,213</u>	<u>\$12,866,446</u>

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Cash Receipts	
Other Non-Operating Receipts	\$19,323
Cash Disbursements	
Other Non-Operating Disbursements	5,265
<i>Net Change in Fund Cash Balance</i>	14,058
<i>Fund Cash Balance, January 1</i>	35,323
<i>Fund Cash Balance, December 31</i>	\$49,381

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$744,940	\$14,541		\$759,481
Intergovernmental	228,727	44,789	\$13,462	286,978
Special Assessments		15,043		15,043
Charges for Services	6,548			6,548
Fines, Licenses and Permits	107,035			107,035
Earnings on Investments	557,424			557,424
Miscellaneous	24,251			24,251
<i>Total Cash Receipts</i>	<u>1,668,925</u>	<u>74,373</u>	<u>13,462</u>	<u>1,756,760</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,182,397	25,816		1,208,213
Public Health Services	16,911			16,911
Leisure Time Activities	1,237			1,237
Community Environment	69,060			69,060
Transportation	218,313	83,238	41,998	343,549
General Government	249,766		32,306	282,072
Capital Outlay			404,491	404,491
<i>Total Cash Disbursements</i>	<u>1,737,684</u>	<u>109,054</u>	<u>478,795</u>	<u>2,325,533</u>
<i>Net Change in Fund Cash Balances</i>	(68,759)	(34,681)	(465,333)	(568,773)
<i>Fund Cash Balances, January 1</i>	<u>771,055</u>	<u>304,266</u>	<u>12,963,006</u>	<u>14,038,327</u>
Fund Cash Balances, December 31				
Restricted		269,585		269,585
Committed			12,497,673	12,497,673
Assigned	155,271			155,271
Unassigned	547,025			547,025
<i>Fund Cash Balances, December 31</i>	<u>\$702,296</u>	<u>\$269,585</u>	<u>\$12,497,673</u>	<u>\$13,469,554</u>

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2015

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Cash Receipts	
Other Non-Operating Receipts	\$14,425
Cash Disbursements	
Other Non-Operating Disbursements	5,620
<i>Net Change in Fund Cash Balance</i>	8,805
<i>Fund Cash Balance, January 1</i>	26,518
<i>Fund Cash Balance, December 31</i>	\$35,323

See accompanying notes to the basic financial statements

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 - Reporting Entity

The Village of Kirtland Hills, Lake County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village was incorporated as a Village in 1926. A publicly-elected seven-member Council governs the Village. The Village provides general government services, including maintenance of roads, zoning, and police services. The Village contracts with the City of Kirtland to receive fire protection services and ambulance services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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

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

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

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

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

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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

Agency Funds - Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for performance bond deposits which are held by the Village until work has been performed in a satisfactory manner. Upon completion of bonded work, the contractor requests the refund of the initial bond deposit.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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

Property, Plant, and Equipment

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. The Village may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 3 - Budgetary Activity

Budgetary activity for the years ended December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,682,461	\$1,581,111	(\$101,350)
Special Revenue	68,759	75,668	6,909
Capital Projects	0	35,708	35,708
Total	\$1,751,220	\$1,692,487	(\$58,733)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,825,495	\$1,641,046	\$184,449
Special Revenue	218,355	192,381	25,974
Capital Projects	535,034	462,168	72,866
Total	\$2,578,884	\$2,295,595	\$283,289

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,610,262	\$1,668,925	\$58,663
Special Revenue	88,403	74,373	(14,030)
Capital Projects	0	13,462	13,462
Total	\$1,698,665	\$1,756,760	\$58,095

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,841,275	\$1,737,684	\$103,591
Special Revenue	133,355	109,054	24,301
Capital Projects	80,200	478,795	(398,595)
Total	\$2,054,830	\$2,325,533	(\$270,703)

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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	2015
Demand deposits	\$2,250	\$28,286
Ohio Improvement Bonds	208,121	214,148
STAR Ohio	1,413	1,397
STAR PLUS	50,906	160,471
Fidelity Money Market Funds	38,691	410,585
US Federal Agency Notes	12,614,446	12,689,990
Total investments	12,913,577	13,476,591
Total deposits and investments	\$12,915,827	\$13,504,877

Deposits

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

Cash on Hand

At year end December 31, 2015, the Village had \$500 in un-deposited cash on hand which is included as part of the Village's fund balances.

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.

Village of Kirtland Hills, Ohio
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 6 - Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Retirement Systems

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and most Village officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OP&F participants contributed 12.25% of their wages. For 2016 and 2015, the Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. For 2016 and 2015, OPERS members contributed 10.00% of their gross salaries and the Village contributed an amount equaling 14.00% of participants' gross salaries. 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Kirtland Hills, Lake County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated October 3, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2017



Dave Yost • Auditor of State

VILLAGE OF KIRTLAND HILLS

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 24, 2017