



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF HARTVILLE
STARK COUNTY
DECEMBER 31, 2018 AND 2017

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Hills and Dales
Stark County
2200 Dunkeith Drive NW
Canton, Ohio 44708

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 Hills and Dales, Stark County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Hills and Dales, Stark County as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 14 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will 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 July 28, 2020, 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

July 28, 2020

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$0	\$331,544	\$331,544
Intergovernmental	28,238	56,974	85,212
Charges for Services	0	40,217	40,217
Earnings on Investments	31,835	2	31,837
Miscellaneous	0	12,868	12,868
<i>Total Cash Receipts</i>	<u>60,073</u>	<u>441,605</u>	<u>501,678</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	275,762	275,762
Public Health Services	0	2,568	2,568
Leisure Time Activities	85,452	0	85,452
Community Environment	1,058	0	1,058
Basic Utility Services	3,728	41,307	45,035
Transportation	11,288	31,865	43,153
General Government	52,745	8,277	61,022
Capital Outlay	3,487	6,940	10,427
<i>Total Cash Disbursements</i>	<u>157,758</u>	<u>366,719</u>	<u>524,477</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(97,685)</u>	<u>74,886</u>	<u>(22,799)</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	6,087	6,087
Transfers Out	0	(6,087)	(6,087)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(97,685)	74,886	(22,799)
<i>Fund Cash Balances, January 1</i>	<u>1,279,940</u>	<u>246,607</u>	<u>1,526,547</u>
Fund Cash Balances, December 31			
Restricted	0	321,493	321,493
Assigned	457,858	0	457,858
Unassigned (Deficit)	724,397	0	724,397
<i>Fund Cash Balances, December 31</i>	<u>\$1,182,255</u>	<u>\$321,493</u>	<u>\$1,503,748</u>

See accompanying notes to the basic financial statements

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Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Hills & Dales (the Village), Stark 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 five-member Council directs the Village. The Village provides general government services, including park operations, and police services.

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

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a jointly governed organization, a joint venture and a public entity risk pool. Notes 10, 11 and 12 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.

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. The Village had the following significant Special Revenue Funds:

Police Fund – This fund receives tax levy funds for the purpose of maintaining and operating the police department to ensue law and order and avoid practical and legal entanglements.

Street Levy Fund – Street Levy funds are to provide for the repair, resurfacing and reconstruction of the streets in the Village for present and future needs.

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 and object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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 Hills and Dales, Ohio
 Stark County
 Notes to the Financial Statements
 For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,100	\$ 60,073	\$6,973
Special Revenue	<u>\$446,115</u>	<u>\$447,692</u>	<u>\$1,577</u>
Total	<u>\$499,215</u>	<u>\$507,765</u>	<u>\$8,550</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,626	\$196,373	\$44,253
Special Revenue	<u>\$660,999</u>	<u>\$377,330</u>	<u>\$283,669</u>
Total	<u>\$901,625</u>	<u>\$573,703</u>	<u>\$327,922</u>

Note 4 – Deposits and Investments

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

	<u>2019</u>
Demand deposits	<u>\$ 109,281</u>
Total deposits	<u>\$ 109,281</u>
STAR Plus	\$1,392,759
STAR Ohio	<u>\$ 1,708</u>
Total investments	<u>\$1,394,467</u>
Total deposits and investments	<u>\$1,503,748</u>

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits

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

At December 31, 2019, all deposits were insured or collateralized.

Investments

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

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 non-business, owner occupancy, and homestead credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Interfund Balances

The Village transferred \$6,087 from the Police Levy Fund to the Other Special Revenue Fund.

Note 7 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio through the Ohio Municipal League Group Rating Plan (GRP). This rate is based on accident history and administrative costs. For additional information see Note 12.

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twenty Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include compensation for 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, 2019.

Note 9 - Postemployment Benefits

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

Note 10 – Joint Ventures

The Village is a member of the Local Organized Governments in Cooperation (LOGIC) Red Center Operations, a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the Village, City of Massillon, Jackson Township and the City of Canal Fulton, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding and each participant is entitled to vote its percentage share. The Board has total authority over the operations of LOGIC, including budgeting, appropriating, contracting and designating management. Continued existence of LOGIC is not dependent on the Village's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the Village. During 2019, the Village made a contribution of \$2,568 but does not have an equity interest in LOGIC. Financial statements of LOGIC are available from Local Organized Governments in Cooperation, Canton, Ohio.

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 11 – Jointly Governed Organizations

The Village participates in the Stark Council of Governments (SCOG), which is a statutorily created political subdivision of the State. SCOG is jointly governed by Stark County, municipalities and townships with twenty-four participants providing twenty-seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The Board exercises total authority over the operation of SCOG including budgeting, appropriating, contracting and designating management. Continued existence of SCOG is not dependent on the Village's continued participation. SCOG does not provide specific financial benefits or impose specific financial burdens on the Village. The Village was not required to contribute funds during the fiscal year 2019 and does not have an equity interest in SCOG. Financial statements of SCOG are available from Stark Council of Governments, Canton, Ohio.

Note 12 - Public Entity Risk Pool

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

Note 13 – Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio and the investments of the pension and other employee benefit plan in which the Village participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$0	\$322,619	\$322,619
Intergovernmental	27,687	58,302	85,989
Charges for Services	0	34,890	34,890
Fines, Licenses and Permits	2,500	0	2,500
Earnings on Investments	26,345	3	26,348
Miscellaneous	0	12,429	12,429
<i>Total Cash Receipts</i>	<u>56,532</u>	<u>428,243</u>	<u>484,775</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	251,022	251,022
Public Health Services	0	3,236	3,236
Leisure Time Activities	60,473	0	60,473
Community Environment	507	0	507
Basic Utility Services	5,388	34,116	39,504
Transportation	11,031	64,025	75,056
General Government	30,982	10,543	41,525
Capital Outlay	7,760	39,241	47,001
<i>Total Cash Disbursements</i>	<u>116,141</u>	<u>402,183</u>	<u>518,324</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(59,609)</u>	<u>26,060</u>	<u>(33,549)</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	4,058	4,058
Transfers Out	0	(4,058)	(4,058)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(59,609)</u>	<u>26,060</u>	<u>(33,549)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,339,549</u>	<u>220,547</u>	<u>1,560,096</u>
Fund Cash Balances, December 31			
Restricted	0	246,607	246,607
Assigned	187,526	0	187,526
Unassigned (Deficit)	1,092,414	0	1,092,414
<i>Fund Cash Balances, December 31</i>	<u>\$1,279,940</u>	<u>\$246,607</u>	<u>\$1,526,547</u>

See accompanying notes to the basic financial statements

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Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Hills & Dales (the Village), Stark 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 five-member Council directs the Village. The Village provides general government services, including park operations, and police services.

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

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a jointly governed organization, a joint venture and a public entity risk pool. Notes 10, 11 and 12 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.

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. The Village had the following significant Special Revenue Funds:

Police Fund – This fund receives tax levy funds for the purpose of maintaining and operating the police department to ensue law and order and avoid practical and legal entanglements.

Street Levy Fund – Street Levy funds are to provide for the repair, resurfacing and reconstruction of the streets in the Village for present and future needs.

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 and 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 2018 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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 Hills and Dales, Ohio
 Stark County
 Notes to the Financial Statements
 For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,200	\$56,532	\$18,332
Special Revenue	<u>\$466,474</u>	<u>\$432,301</u>	(\$34,173)
Total	<u>\$504,674</u>	<u>\$488,833</u>	(\$15,841)

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$219,737	\$160,647	\$59,090
Special Revenue	<u>\$626,560</u>	<u>\$406,956</u>	\$219,604
Total	<u>\$846,297</u>	<u>\$567,603</u>	\$278,694

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, 2018 was as follows:

	<u>2018</u>
Demand deposits	<u>\$163,917</u>
Total deposits	<u>\$163,917</u>
STAR OHIO	\$1,669
STAR PLUS	<u>\$1,360,961</u>
Total investments	<u>\$1,362,630</u>
Total deposits and investments	<u>\$1,526,547</u>

Deposits

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

At December 31, 2018, all deposits were insured or collateralized.

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Investments

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

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.

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

Note 6 – Interfund Balances

The Village transferred \$4,058 from the Police Levy Fund to the Other Special Revenue Fund.

Note 7 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio through the Ohio Municipal League Group Rating Plan (GRP). For additional information see Note 12.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2018.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during the calendar year 2018.

Note 10 – Joint Ventures

The Village is a member of the Local Organized Governments in Cooperation (LOGIC) Red Center Operations, a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the Village, City of Massillon, Jackson Township and the City of Canal Fulton, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding and each participant is entitled to vote its percentage share. The Board has total authority over the operations of LOGIC, including budgeting, appropriating, contracting and designating management. Continued existence of LOGIC is not dependent on the Village's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the Village. During 2018, the Village made a contribution of \$2,636, but does not have an equity interest in LOGIC. Financial Statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

Note 11 – Jointly Governed Organizations

The Village participates in the Stark Council of Governments (SCOG) which is a statutorily created political subdivision of the State. SCOG is jointly governed among Stark County, municipalities and townships with twenty-four participants providing twenty-seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The Board exercises total authority over the operation of SCOG including budgeting, appropriating, contracting and designating management. Continued existence of SCOG is not dependent on the Village's continued participation. SCOG does not provide specific financial benefits or impose specific financial burdens on the Village. The Village did not make contributions during the fiscal year 2018 and does not have an equity interest in SCOG. Financial statements of SCOG may be obtained from Stark Council of Governments, Canton, Ohio.

Village of Hills and Dales, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 12 - Public Entity Risk Pool

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

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

Village of Hills and Dales
Stark County
2200 Dunkeith Drive NW
Canton, Ohio 44708

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 Village of Hills and Dales, Stark County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated July 28, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village disclosed a subsequent event regarding the financial impact of COVID-19 and the ensuing emergency measures.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

Village's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

July 28, 2020

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Fiscal Year 2018 Notes to the Financial Statements

FINDING NUMBER 2019-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code §117.38(A) provides each public office shall file a financial report for each fiscal year. Governmental Accounting Standards Board (GASB) Codification 2300 explains the notes to the financial statements are intended to communicate information that is necessary for a fair presentation of the financial statements that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes to the financial statements are an integral part of the financial statement, intended to be read with the financial statements, and are the entity's responsibility to prepare.

The fiscal year 2018 financial statements and notes filed in the Hinkle System on January 14, 2019 included the notes to the financial statements; however, the notes to the financial statements were from the fiscal year 2017 Hinkle System filing.

The Fiscal Officer accidentally submitted the fiscal year 2017 notes to the financial statements in the fiscal year 2018 Hinkle System filing.

As a result, certain notes, such as the budgetary activity note and the deposits and investments note, were materially misstated.

The budgetary activity note reported:

- General fund budgeted and actual receipts of \$27,928 and 39,338, respectively. However, the fiscal year 2018 budgeted and actual receipts were \$38,200 and \$56,532, respectively.
- Special revenue funds budgeted and actual receipts of \$460,908 and \$445,252, respectively. However, the fiscal year 2018 budgeted and actual receipts were \$466,474 and \$432,301, respectively.
- General fund appropriations and budgetary expenditures of \$208,040 and \$138,985, respectively. However, the fiscal year 2018 appropriations and budgeted expenditures were \$219,737 and \$160,647, respectively.
- Special revenue funds appropriations and budgetary expenditures of \$527,198 and \$351,889, respectively. However, fiscal year 2018 appropriations and budgetary expenditures were \$626,560 and \$406,956, respectively.

The deposit and investment note reported:

- Demand deposits of \$231,741. However, the fiscal year 2018 demand deposits were \$163,917.
- Investments of \$1,336,283. However, the fiscal year 2018 investments were \$1,362,630.

The Village should implement controls over financial report to help ensure the notes to the financial statement filed in the Hinkle System are accurate.

Official's Response:

I became aware that I filed the wrong notes (2017) to the financial statements and immediately sent the correct year notes (2018) which I had already completed and which were ready to go.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF HILLS AND DALES

STARK 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 10/13/2020

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