



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF KELLEYS ISLAND  
ERIE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Kelleys Island  
P.O. Box 469  
Kelley's Island, OH 43438-0469

We have reviewed the *Independent Auditor's Report* of the Village of Kelleys Island, Erie County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Kelleys Island is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**July 28, 2023**

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**VILLAGE OF KELLEYS ISLAND  
ERIE COUNTY**

*For the Fiscal Years Ended December 31, 2022 and 2021  
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**INDEPENDENT AUDITOR'S REPORT**

Village of Kelleys Island  
Erie County  
P.O. Box 469  
121 Addison Road  
Kelley's Island, Ohio 43438

To the Village Council:

***Report on the Audit of the Financial Statements***

***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Kelleys Island, Erie County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental, and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental, and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of 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. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Emphasis of Matter***

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.



- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the effectiveness of the Village's 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.

*BHM CPA Group*

BHM CPA Group, Inc.  
Piketon, Ohio  
June 29, 2023

**Village of Kelleys Island**  
**Erie County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2022*

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$ 774,893	\$ 308,230	\$ -	\$ -	\$ -	\$ 1,083,123
Intergovernmental	103,530	102,416	-	294,039	-	499,985
Special Assessments	-	16,354	16,596	14,127	-	47,077
Charges for Services	-	25,504	40,014	-	-	65,518
Fines, Licenses and Permits	31,682	905	-	-	-	32,587
Earnings on Investments	18,419	-	-	-	5	18,424
Miscellaneous	68,626	83,026	-	-	-	151,652
<i>Total Cash Receipts</i>	<u>997,150</u>	<u>536,435</u>	<u>56,610</u>	<u>308,166</u>	<u>5</u>	<u>1,898,366</u>
<b>Cash Disbursements</b>						
Current:						
Security of Persons and Property	358,375	230,016	-	-	-	588,391
Public Health Services	2,854	9,562	-	-	-	12,416
Leisure Time Activities	-	7,581	-	-	-	7,581
Community Environment	19,579	-	-	-	-	19,579
Transportation	-	118,596	-	12,449	-	131,045
General Government	373,345	7,423	381	-	-	381,149
Capital Outlay	-	11,750	-	211,142	-	222,892
Debt Service:						
Principal Retirement	-	-	51,371	19,274	-	70,645
Interest and Fiscal Charges	-	-	12,270	4,810	-	17,080
<i>Total Cash Disbursements</i>	<u>754,153</u>	<u>384,928</u>	<u>64,022</u>	<u>247,675</u>	<u>-</u>	<u>1,450,778</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	242,997	151,507	(7,412)	60,491	5	447,588
<b>Other Financing Receipts (Disbursements)</b>						
Transfers In	-	-	36,444	-	-	36,444
Transfers Out	(24,804)	(11,640)	-	-	-	(36,444)
Other Financing Uses	(27,500)	-	-	-	-	(27,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(52,304)</u>	<u>(11,640)</u>	<u>36,444</u>	<u>-</u>	<u>-</u>	<u>(27,500)</u>
<i>Net Change in Fund Cash Balances</i>	190,693	139,867	29,032	60,491	5	420,088
<i>Fund Cash Balances, January 1</i>	<u>330,177</u>	<u>840,941</u>	<u>24,400</u>	<u>139,281</u>	<u>95,683</u>	<u>1,430,482</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 520,870</u>	<u>\$ 980,808</u>	<u>\$ 53,432</u>	<u>\$ 199,772</u>	<u>\$ 95,688</u>	<u>\$ 1,850,570</u>

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

**Village of Kelleys Island**  
**Erie County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2022*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 765,232
Miscellaneous	2,546
	767,778
<i>Total Operating Cash Receipts</i>	<i>767,778</i>
<b>Operating Cash Disbursements</b>	
Personal Services	252,383
Employee Fringe Benefits	73,111
Contractual Services	194,919
Supplies and Materials	67,901
	588,314
<i>Total Operating Cash Disbursements</i>	<i>588,314</i>
<i>Operating Income (Loss)</i>	<i>179,464</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	2,221
Capital Outlay	(60,398)
Principal Retirement	(95,103)
Interest and Other Fiscal Charges	(14,430)
	(167,710)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(167,710)</i>
<i>Income (Loss) before Transfers</i>	<i>11,754</i>
Transfers In	91,331
Transfers Out	(91,331)
	11,754
<i>Net Change in Fund Cash Balances</i>	<i>11,754</i>
<i>Fund Cash Balances, January 1</i>	<i>519,846</i>
	531,600
<i>Fund Cash Balances, December 31</i>	<i>\$ 531,600</i>

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

**Village of Kelleys Island**  
**Erie County**  
*Combined Statement of Additions, Deductions  
and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Fiduciary Fund Types*  
For the Year Ended December 31, 2022

	Fiduciary Fund Type
	Custodial
<b>Additions</b>	
Fines, Licenses and Permits for Distribution	\$ 18,759
<i>Total Additions</i>	18,759
<b>Deductions</b>	
Other Distributions	12,548
<i>Total Deductions</i>	12,548
<i>Net Change in Fund Balances</i>	6,211
<i>Fund Cash Balances, January 1</i>	21,804
<i>Fund Cash Balances, December 31</i>	\$ 28,015

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

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 1 – Reporting Entity**

The Village of Kelleys Island, Erie 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. A publicly elected six-member Council directs the Village. The Village provides general government services, transportation, zoning (community environment), water utilities, emergency medical services (public health services), and police and fire services (security of persons and property).

***Public Entity Risk Pools***

The Village participates in the Public Entities Pool of Ohio, which is a public entity risk pool that provides property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

***Fund Accounting***

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

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

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

***Road Construction Fund*** The road construction fund receives property tax money for the construction and repair of roads within the Village.

***Fire Levy Fund*** The fire levy fund accounts for and reports property tax monies used for maintenance and repairs as well as purchasing of fire related equipment and materials to ensure safety to the citizens of the Village.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**EMS Levy Fund** The EMS levy fund accounts for and reports property and other local taxes used for the purchasing of ambulance equipment and providing ambulance, paramedic, or other emergency medical services to the citizens of the Village.

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

**Sweetbriar Assessments Fund** The sweetbriar assessments fund accounts for and reports that portion of the special assessments for the purpose of retiring principal and interest charges.

**Golias Debt Service Fund** The golias debt service fund accounts for and reports that portion of interfund transfers for the purpose of retiring principal and interest charges.

**Water Intake Debt Fund** The water intake debt fund accounts for and reports that portion of the charges for services restricted for the purpose of retiring principal and interest charges.

**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:

**Airport Improvement - FAA Fund** The Airport Improvement - FAA fund accounts for and reports intergovernmental proceeds for the purpose of improving the Village airport.

**Permanent Funds** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

**Cemetery Trust Fund** The cemetery trust fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village cemetery.

**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:

**Water Operating Fund** The operating water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Fiduciary Funds** Fiduciary funds include Custodial funds. Custodial funds are purely custodial in nature and used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for mayor's court activities.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds accounts for mayor's court activities.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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 (C) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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 2022 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 Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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***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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

***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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

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



**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2022, follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$681,560	\$997,150	\$315,590
Special Revenue	450,558	536,435	85,877
Debt Service	63,360	93,054	29,694
Capital Projects	346,157	308,166	(37,991)
Enterprise	828,310	861,330	33,020
Permanent	2,000	5	(1,995)
Fiduciary	0	18,759	18,759
<b>Total</b>	<b>\$2,371,945</b>	<b>\$2,814,899</b>	<b>\$442,954</b>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,009,776	\$825,915	\$183,861
Special Revenue	574,770	467,003	107,767
Debt Service	90,000	64,022	25,978
Capital Projects	327,508	274,675	52,833
Enterprise	886,484	849,576	36,908
Permanent	0	0	0
Fiduciary	0	12,548	(12,548)
<b>Total</b>	<b>\$2,888,538</b>	<b>\$2,493,739</b>	<b>\$394,799</b>

**Note 4 – Deposits and Investments**

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

	2022
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$1,318,663
Total deposits	1,318,663
STAR Ohio	1,091,522
Total investments	1,091,522
Total carrying amount of deposits and investments held in the Pool (ties to FS)	2,410,185

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Village did not have any unremitted withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; 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.

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

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

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

***Resort Tax***

The Village levies a resort income tax of 1.5% on income arising from business activities conducted within the Village. Businesses submit the tax to the Ohio Department of Taxation. The Ohio Department of Taxation remits the tax to the Village's general fund monthly.

***Lodging Tax***

The Village levies a local lodging tax of 2% which began to be collected in 2022. The County is responsible for collecting and distributing all lodging taxes on behalf of the Village.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 6 – Risk Management**

***Risk Pool Membership***

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (latest information available):

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	14,974,099

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded insurance coverage in any of the past three years. Coverage limits have not changed significantly since last year.

**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, 2022.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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***Ohio Police and Fire Retirement***

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% percent of full-time police members' wages and 24% of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2022.

***Social Security***

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 9 – Debt**

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
OWDA #3525 Water Treatment Plant Loan	\$395,216	1.50%
OWDA #8091 Water Treatment Plant Improvements	\$245,252	0.90%
USDA Water System Loan	\$103,100	6.13%
US Bank - Sweetbriar Road	\$19,220	3.75%
US Bank - Water Intake	\$20,528	3.70%
US Bank - Golias Property	\$271,745	3.73%
Civista Bank - MFM Road Project	\$84,784	4.78%
OPWC CE37X Water Tower Rehabilitation	226,625	0%
Total	\$1,366,470	

The Ohio Water Development Authority (OWDA) loan #3525 relates to water system improvements. The Water Treatment Plant Loan was obtained in 2001 and will be repaid in semiannual installments, including interest, over a period of 30 years. This loan is collateralized by water receipts.

The Ohio Water Development Authority (OWDA) loan #8091 relates to water system improvements. The Water Treatment Plant Improvements Loan was obtained in 2019 and will be repaid in semiannual installments, including interest, over a period of 30 years. This loan is collateralized by water receipts.

The USDA Water System Loan relates to water system improvements for rural development. The loan was obtained in 1990 and will be repaid in annual installments, including interest, over 40 years.

The US Bank Promissory Note – Sweetbriar Road was obtained in 2013 and will be repaid in semiannual installments, including interest, over a period of 10 years. This note was obtained to pay for a road improvement project.

The US Bank Promissory Note – Water Intake was obtained in 2018 and will be repaid in semiannual installments, including interest, over a period of 5 years. This note was obtained to run a pipe for the intake of water from the lake to the water plant.

The US Bank Loan – Golias Property was obtained in 2016 and will be repaid in monthly installments, including interest, over a period of 10 years. This loan was obtained for the purchase of a property

The Civista Bank Loan- MFM Road Project was obtained in 2020 and will be repaid in nineteen payments of \$12,041.88 each payment and an irregular last payment. The Village’s first payment is due March 16, 2021, and all subsequent payments are due on the same day of each half-year after that. The Village’s final payment will be due September 16, 2030.

The Ohio Public Works Commission (OPWC) loan #CE37X relates to water tower improvements. The Water Tower Rehabilitation Loan was obtained in 2021 and will be repaid in semiannual installments with a 0% interest rate, over a period of 20 years.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

***Amortization***

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

Year Ending December 31:	OWDA	USDA Water Systems	US Bank Sweetbriar	US Bank Water	US Bank Golias	Civista Bank MFM	OPWC
2023	\$83,722	\$21,785	\$19,769	\$21,009	\$24,858	\$11,491	\$12,250
2024	83,722	21,741	0	0	24,858	\$11,491	12,250
2025	83,722	21,695	0	0	24,858	\$11,491	12,250
2026	83,722	21,687	0	0	234,021	\$11,491	12,250
2027	83,722	21,616	0	0	0	\$11,491	12,250
2028-2032	259,959	43,161	0	0	0	\$28,724	122,500
2033-2037	0	0	0	0	0	0	42,875
<b>Total</b>	<b>\$678,569</b>	<b>\$151,685</b>	<b>\$19,769</b>	<b>\$21,009</b>	<b>\$308,595</b>	<b>\$86,179</b>	<b>\$226,625</b>

**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Note 11 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Permanent	Total
Nonspendable:					
Corpus	0	0	0	95,688	95,688
Outstanding Encumbrances	19,458	70,435	27,000	0	116,893
<b>Total</b>	<b>\$19,458</b>	<b>\$70,435</b>	<b>\$27,000</b>	<b>\$95,688</b>	<b>\$212,581</b>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 12 – 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 2022, 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 funding, either federal or state, cannot be estimated.

**Village of Kelleys Island**  
**Erie County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2021*

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$ 559,681	\$ 241,747	\$ -	\$ -	\$ -	\$ 801,428
Intergovernmental	92,353	107,185	-	5,500	-	205,038
Special Assessments	-	16,289	16,382	14,177	-	46,848
Charges for Services	-	31,459	33,548	-	-	65,007
Fines, Licenses and Permits	48,933	1,081	-	-	-	50,014
Earnings on Investments	252	29	-	-	1	282
Miscellaneous	79,543	23,761	-	-	-	103,304
<i>Total Cash Receipts</i>	780,762	421,551	49,930	19,677	1	1,271,921
<b>Cash Disbursements</b>						
Current:						
Security of Persons and Property	350,710	215,524	-	-	-	566,234
Public Health Services	1,904	225	-	-	-	2,129
Leisure Time Activities	-	333	-	-	-	333
Community Environment	7,847	-	-	-	-	7,847
Transportation	-	132,121	-	151,685	-	283,806
General Government	403,013	4,738	-	-	-	407,751
Capital Outlay	-	5,189	363	33,537	-	39,089
Debt Service:						
Principal Retirement	-	-	50,640	85,942	-	136,582
Interest and Fiscal Charges	-	-	15,073	5,764	-	20,837
<i>Total Cash Disbursements</i>	763,474	358,130	66,076	276,928	-	1,464,608
<i>Excess of Receipts Over (Under) Disbursements</i>	17,288	63,421	(16,146)	(257,251)	1	(192,687)
<b>Other Financing Receipts (Disbursements)</b>						
Transfers In	-	-	24,858	-	-	24,858
Transfers Out	(24,858)	-	-	-	-	(24,858)
Other Financing Uses	-	(22,636)	-	-	-	(22,636)
<i>Total Other Financing Receipts (Disbursements)</i>	(24,858)	(22,636)	24,858	-	-	(22,636)
Extraordinary Item	5,805	-	-	-	-	5,805
<i>Net Change in Fund Cash Balances</i>	(1,765)	40,785	8,712	(257,251)	1	(209,518)
<i>Fund Cash Balances, January 1, as Restated in Note 13</i>	331,942	800,156	15,688	396,532	95,682	1,640,000
<i>Fund Cash Balances, December 31</i>	<u>\$ 330,177</u>	<u>\$ 840,941</u>	<u>\$ 24,400</u>	<u>\$ 139,281</u>	<u>\$ 95,683</u>	<u>\$ 1,430,482</u>

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



**Village of Kelleys Island**  
**Erie County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2021*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 711,525
Miscellaneous	3,617
	715,142
<i>Total Operating Cash Receipts</i>	<i>715,142</i>
<b>Operating Cash Disbursements</b>	
Personal Services	214,936
Employee Fringe Benefits	83,750
Contractual Services	123,989
Supplies and Materials	55,914
	478,589
<i>Total Operating Cash Disbursements</i>	<i>478,589</i>
<i>Operating Income (Loss)</i>	<i>236,553</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	7
Loan Proceeds	245,000
Miscellaneous Receipts	1,200
Capital Outlay	(265,430)
Principal Retirement	(98,161)
Interest and Other Fiscal Charges	(17,527)
	(134,911)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(134,911)</i>
<i>Income (Loss) before Transfers</i>	<i>101,642</i>
Transfers In	83,643
Transfers Out	(83,643)
	101,642
<i>Net Change in Fund Cash Balances</i>	<i>101,642</i>
<i>Fund Cash Balances, January 1, as Restated in Note 13</i>	<i>418,204</i>
	418,204
<i>Fund Cash Balances, December 31</i>	<i>\$ 519,846</i>
	519,846

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

**Village of Kelleys Island  
Erie County**

*Combined Statement of Additions, Deductions  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Fiduciary Fund Types  
For the Year Ended December 31, 2021*

	<u>Fiduciary Fund Type</u>
	<u>Custodial</u>
<b>Additions</b>	
Fines, Licenses and Permits for Distribution	<u>\$ 16,757</u>
<i>Total Additions</i>	<u>16,757</u>
<b>Deductions</b>	
Other Distributions	<u>2,114</u>
<i>Total Deductions</i>	<u>2,114</u>
<i>Net Change in Fund Balances</i>	14,643
<i>Fund Cash Balances, January 1</i>	<u>7,161</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 21,804</u></u>

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

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 – Reporting Entity**

The Village of Kelleys Island (the Village), Erie 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 general government services, transportation, zoning (community environment), water utilities, emergency medical services (public health services), and police and fire services (security of persons and property).

***Public Entity Risk Pools***

The Village participates in the Public Entities Pool of Ohio, which is a public entity risk pool that provides property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity. 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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

***Fund Accounting***

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

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

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

***Road Construction Fund*** The road construction fund receives property tax money for construction and repair of roads within the Village.

***Fire Levy Fund*** The fire levy fund accounts for and reports maintenance and repairs as well as purchasing of fire related equipment and materials to ensure safety to the citizens of the Village.

***EMS Levy Fund*** The EMS levy fund accounts for and reports purchasing of ambulance equipment and providing ambulance, paramedic, or other emergency medical services to the citizens of the Village.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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

**Sweetbriar Assessments Fund** The sweetbriar assessment funds accounts for and reports that portion of the special assessments for the purpose of retiring principal and interest charges.

**Golias Debt Service Fund** The golias debt service fund accounts for and reports that portion of interfund transfers for the purpose of retiring principal and interest charges.

**Water Intake Debt Fund** The water intake debt fund accounts for and reports that portion of the charges for services restricted for the purpose of retiring principal and interest charges.

**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:

**MFM Assessment Fund** The MFM assessment fund accounts for and reports mineys charged for services to use on overall general transportation for the Village.

**Permanent Funds** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

**Cemetery Endowment Fund** The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

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

**Water Operating Fund** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Fiduciary Funds** Fiduciary funds include Custodial funds. Custodial funds are purely custodial in nature and used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for mayor's court activities.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for mayor's court activities.

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

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***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 (C). 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 (C) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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 2021 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 Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

***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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

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

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$624,227	\$786,567	\$162,340
Special Revenue	352,892	421,551	68,659
Debt Service	20,000	74,788	54,788
Capital Projects	32,000	19,677	(12,323)
Enterprise	770,000	1,044,992	274,992
Permanent	2,000	1	(1,999)
Fiduciary	40,000	16,757	(23,243)
<b>Total</b>	<b>\$1,841,119</b>	<b>\$2,364,333</b>	<b>\$523,214</b>

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$829,404	\$791,243	\$38,161
Special Revenue	592,052	400,836	191,216
Debt Service	86,000	66,076	19,924
Capital Projects	248,458	277,062	(28,604)
Enterprise	720,000	943,350	(223,350)
Permanent	0	0	0
Fiduciary	0	2,114	(2,114)
<b>Total</b>	<b>\$2,475,914</b>	<b>\$2,480,681</b>	<b>(\$4,767)</b>

**Note 4 – Deposits and Investments**

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

	2021
<b>Cash Management Pool:</b>	
Demand deposits	\$898,970
Total deposits	898,970
STAR Ohio	1,073,162
Total investments	1,073,162
Total carrying amount of deposits and investments held in the Pool (ties to FS)	1,972,132

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the village did not have any unremitted employee payroll withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village; 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.

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

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

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

***Resort Tax***

The Village levies a resort income tax of 1.5% on income arising from business activities conducted within the Village. Businesses submit the tax to the Ohio Department of Taxation. The Ohio Department of Taxation remits the tax to the Village's general fund monthly.

***Lodging Tax***

The Village levies a local lodging tax of 2% which began to be collected in 2021. The County is responsible for collecting and distributing all lodging taxes on behalf of the Village.



**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 6 – Risk Management**

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity’s) policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2021	
Cash and investments		\$ 41,996,850
Actuarial liabilities		\$ 14,974,099

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2021.

***Ohio Police and Fire Retirement***

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

**Village of Kelleys Island, Ohio**  
*Erie County*  
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*For the Year Ended December 31, 2021*

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% percent of full-time police members' wages and 24% of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2021.

***Social Security***

Several of the Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

**Note 8 – Postemployment Benefits**

OPERS offers 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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #3525 Water Treatment Plant Loan	\$433,646	1.50%
OWDA #8091 Water Treatment Plant Improvements	\$281,728	0.90%
USDA Water System Loan	\$115,700	6.13%
US Bank - Sweetbriar Road	\$37,719	3.75%
US Bank - Water Intake	\$40,316	3.70%
US Bank - Golias Property	\$286,301	3.73%
Civista Bank - MFM Road Project	\$104,058	4.78%
OPWC CE37X Water Tower Rehabilitation	232,750	0%
Total	<u>\$1,532,218</u>	

The Ohio Water Development Authority (OWDA) loan #3525 relates to water system improvements. The Water Treatment Plant Loan was obtained in 2001 and will be repaid in semiannual installments, including interest, over a period of 30 years. This loan is collateralized by water receipts.

The Ohio Water Development Authority (OWDA) loan #8091 relates to water system improvements. The Water Treatment Plant Improvements Loan was obtained in 2019 and will be repaid in semiannual installments, including interest, over a period of 30 years. This loan is collateralized by water receipts.

**Village of Kelleys Island, Ohio**  
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*For the Year Ended December 31, 2021*

The USDA Water System Loan relates to water system improvements for rural development. The loan was obtained in 1990 and will be repaid in annual installments, including interest, over 40 years.

The US Bank Promissory Note – Sweetbriar Road was obtained in 2013 and will be repaid in semiannual installments, including interest, over a period of 10 years. This note was obtained to pay for a road improvement project.

The US Bank Promissory Note – Water Intake was obtained in 2018 and will be repaid in semiannual installments, including interest, over a period of 5 years. This note was obtained to run a pipe for the intake of water from the lake to the water plant.

The US Bank Loan – Golias Property was obtained in 2016 and will be repaid in monthly installments, including interest, over a period of 10 years. This loan was obtained for the purchase of a property

The Civista Bank Loan- MFM Road Project was obtained in 2020 and will be repaid in nineteen payments of \$12,041.88 each payment and an irregular last payment. The Village’s first payment is due March 16, 2021, and all subsequent payments are due on the same day of each half-year after that. The Village’s final payment will be due September 16, 2030.

The Ohio Public Works Commission (OPWC) loan #CE37X relates to water tower improvements. The Water Tower Rehabilitation Loan was obtained in 2021 and will be repaid in semiannual installments with a 0% interest rate, over a period of 20 years.

***Amortization***

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

Year Ending December 31:	OWDA	USDA Water Systems	US Bank Sweetbriar	US Bank Water	US Bank Golias	Civista Bank MFM	OPWC
2022	\$83,722	\$14,797	\$19,007	\$20,314	\$62,854	\$12,042	\$12,250
2023	83,722	\$14,797	19,007	20,313	62,854	\$12,042	12,250
2024	83,722	\$14,797	0	0	62,854	\$12,042	12,250
2025	83,722	\$14,797	0	0	62,854	\$12,042	12,250
2026	83,722	\$14,797	0	0	62,855	\$12,042	12,250
2027-2031	321,286	\$44,391	0	0	0	\$48,950	61,250
2032-2036	0	\$0	0	0	0	\$0	61,250
2037-2041	0	0	0	0	0	0	49,000
Total	<u>\$739,896</u>	<u>\$118,376</u>	<u>\$38,014</u>	<u>\$40,627</u>	<u>\$314,271</u>	<u>\$109,160</u>	<u>\$232,750</u>

**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 11 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Permanent	Total
Nonspendable:					
Corpus	0	0	0	95,683	95,683
Outstanding Encumbrances	2,911	20,070	134	0	23,114
<i>Total</i>	<u>\$2,911</u>	<u>\$20,070</u>	<u>\$134</u>	<u>\$95,683</u>	<u>\$118,797</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 12 – 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, 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.

**Village of Kelleys Island, Ohio**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**Note 13– Restatement of Beginning Balances**

During 2021, the Village made various fund balance adjustments due to reclassifying funds, voiding prior period transactions and correcting prior period accounting errors. The adjustments had the following effects on the Beginning Fund Balances:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
<b>2021 Beginning Fund Balance</b>	\$ 354,130	\$ 774,133	\$ 5,088	\$ 396,820	\$433,165
Reclassification of Sweetbriar Assessments Fund	-	4,361	(4,361)	-	-
Reclassification of Police Donation Fund	-	288	-	(288)	-
Reclassification of Water Intake Debt Fund	-	-	14,961	-	(14,961)
Voided Receipts	-	(500)	-	-	-
Prior Period Accounting Errors	(22,188)	21,874	-	-	-
<b>2021 Restated Beginning Fund Balance</b>	<u>\$ 331,942</u>	<u>\$ 800,156</u>	<u>\$ 15,688</u>	<u>\$ 396,532</u>	<u>\$418,204</u>



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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 Kelleys Island  
Erie County  
P.O. Box 469  
121 Addison Road  
Kelley's Island, Ohio 43438

To the Village Council:

We have audited, in accordance the with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Kelleys Island, Erie County, (the Village) and have issued our report thereon dated June 29, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BHM CPA Group, Inc.  
Piketon, Ohio

June 29, 2023

**Village of Kelleys Island  
Erie County  
Schedule of Findings  
December 31, 2022 and 2021**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2022-001**

**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. We identified misstatements in the following areas requiring adjustment to the financial statements and/or notes to the financial statements for the years ended December 31, 2022 and 2021:

- Principal Disbursements
- Interest Disbursements
- Loan Proceeds
- Transportation Disbursements
- Capital Outlay Disbursements

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village’s internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional insignificant errors were also noted for the years ended December 31, 2022 and 2021.

To help ensure the Village’s financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk-Treasurer and Village Council, to help identify and correct errors and omissions.

Additionally, the Clerk-Treasurer can refer to the Village Officer’s Handbook at the following website address for guidance on the recording of transactions: <https://ohioauditor.gov/publications/Village%20Officers%20Manual.pdf>.

**Client Response:** We did not receive a response to this finding.



**Village of Kelleys Island  
Erie County  
Summary Schedule of Prior Audit Findings  
December 31, 2022 and 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Material Weakness for adjustments to the financial statements.	Not Corrected	Reissued as Finding 2022-001, BHM has issued a recommendation for a corrective action plan within finding 2022-001.
2020-002	Material Weakness – Bank Reconciliations	Fully Corrected	N/A

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF KELLEYS ISLAND**

**ERIE 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 8/10/2023**

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](http://www.ohioauditor.gov)