

VILLAGE OF KIRTLAND HILLS

LAKE COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2022 and 2021





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Village Council
Village of Kirtland Hills
8026 Chillicothe Road
Kirtland Hills, OH 44060

We have reviewed the *Independent Auditor's Report* of the Village of Kirtland Hills, Lake County, prepared by Charles E. Harris & Associates, 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 Kirtland Hills is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2023

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**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY
Regular Audit
For the Years Ended December 31, 2022 and 2021**

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INDEPENDENT AUDITOR'S REPORT

Village of Kirtland Hills
Lake County
8026 Chillicothe Road
Kirtland Hills, OH 44095

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 Kirtland Hills, Lake County, Ohio (the Village), which comprise the cash balances, receipts and disbursements for each governmental type and the fiduciary fund type 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 fund type and the fiduciary fund type 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 cashflows 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements in 2021 and 2022, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

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.

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 July 10, 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 not 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.



Charles E. Harris & Associates, Inc.
July 10, 2023

**VILLAGE OF KIRTLAND HILLS
LAKE 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 1,263,336	\$ 18,891	\$ -	\$ 1,282,227
Intergovernmental	336,810	103,139	-	439,949
Charges for Services	870	-	-	870
Fines, Licenses and Permits	25,424	3,514	-	28,938
Earnings on Investments	203,084	-	-	203,084
Miscellaneous	37,084	500	-	37,584
<i>Total Cash Receipts</i>	<u>1,866,608</u>	<u>126,044</u>	<u>-</u>	<u>1,992,652</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,284,258	-	-	1,284,258
Public Health Services	23,962	-	-	23,962
Leisure Time Activities	1,016	-	-	1,016
Basic Utility Services	80,686	-	-	80,686
Transportation	286,475	257,920	-	544,395
General Government	285,313	3,350	-	288,663
Capital Outlay	-	-	213,506	213,506
Debt Service:				
Principal Retirement	-	-	2,250	2,250
<i>Total Cash Disbursements</i>	<u>1,961,710</u>	<u>261,270</u>	<u>215,756</u>	<u>2,438,736</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(95,102)	(135,226)	(215,756)	(446,084)
Other Financing Receipts (Disbursements)				
Transfers In	250,000	250,000	-	500,000
Transfers Out	(250,000)	-	(250,000)	(500,000)
Sale of Capital Assets	32,500	-	-	32,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>32,500</u>	<u>250,000</u>	<u>(250,000)</u>	<u>32,500</u>
<i>Net Change in Fund Cash Balances</i>	(62,602)	114,774	(465,756)	(413,584)
<i>Fund Cash Balances, January 1</i>	<u>1,435,509</u>	<u>185,077</u>	<u>8,879,545</u>	<u>10,500,131</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,372,907</u>	<u>\$ 299,851</u>	<u>\$ 8,413,789</u>	<u>\$ 10,086,547</u>

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

VILLAGE OF KIRTLAND HILLS
LAKE COUNTY
STATEMENT OF ADDITIONS, DEDUCTIONS
AND CHANGES IN FUND BALANCES - REGULATORY CASH BASIS
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Other Custodial
Additions	
Deposits Received	\$ 14,951
<i>Total Additions</i>	14,951
Deductions	
Distributions Of Deposits	324
<i>Total Deductions</i>	324
<i>Net Change in Fund Cash Balance</i>	14,627
<i>Fund Cash Balances, January 1</i>	30,505
<i>Fund Cash Balances, December 31</i>	\$ 45,132

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

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 10 to the financial statements provide additional information for this entity.

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

Fund Accounting

The Village uses fund accounting 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 specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

Capital Projects Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

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

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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, since 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 level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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. The Village records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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 (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

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 12.

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	\$ 2,034,726	\$ 2,149,108	\$ 114,382
Special Revenue	382,079	376,044	(6,035)
Capital Projects	-	-	-

2022 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,486,000	\$ 2,211,710	\$ 274,290
Special Revenue	309,332	261,270	48,062
Capital Projects	542,000	215,756	326,244

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool for all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits and investments at December 31, 2022 was as follows:

	2022
Demand deposits	\$ 41,348
Total deposits	41,348
STAR Ohio	205,645
Money Market Fund	9,884,686
Total investments	10,090,331
Total deposits and investments	\$10,131,679

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 was holding \$9,431 in unremitted employee withholdings.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 4 – Deposits and Investments (Continued)

Deposits

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

Investments

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

Note 5 – 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.

Note 6 – Interfund Transfers

Transfers

During 2022, the following transfers were made:

Transfer from Capital Fund to the General Fund: \$250,000

Transfer from General Fund to the Street Maintenance and Repair Fund: \$250,000

The transfer from the Capital Fund to the General Fund is allowed per Village Ordinance and Village Charter.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Self-Insurance

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees except for full-time police officers 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 rate. OPERS members contributed 10.00% of their gross salaries and the Village contributed an amount equaling 14.00% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Ohio Police and Fire Retirement System

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% of full-time police members' wages. The Village has paid all contributions required through December 31, 2022.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Direct Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

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.

Note 10 – Public Entity Risk Pool

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

Note 11 – Debt

Debt outstanding at December 31, 2022 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC #CG35U-O	\$ 24,750	0.00%

Amortization

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

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2022

Note 11 – Debt (Continued)

Year Ending December 31:	OPWC Loans
2023	\$ 1,500
2024	1,500
2025	1,500
2026	1,500
2027	1,500
2028-2032	7,500
2033-2037	7,500
2038-2042	2,250
Total	<u>\$ 24,750</u>

The Village obtained a no interest loan through Ohio Public Works Commission, payable over twenty years with payments due twice a year. The principal due at December 31, 2022 was \$24,750.

Note 12 – Fund Balances

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. The Village had zero encumbrances at year end.

The fund balances of special revenue funds are either restricted or committed. The fund balance of capital projects funds is restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

Note 13 – 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. 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.

The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

**VILLAGE OF KIRTLAND HILLS
LAKE 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	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 1,066,023	\$ 16,007	\$ -	\$ 1,082,030
Intergovernmental	301,196	98,113	-	399,309
Fines, Licenses and Permits	32,148	-	-	32,148
Earnings on Investments	210,385	-	-	210,385
Miscellaneous	65,359	8,681	-	74,040
<i>Total Cash Receipts</i>	<u>1,675,111</u>	<u>122,801</u>	<u>-</u>	<u>1,797,912</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,241,227	10,546	-	1,251,773
Public Health Services	23,413	-	-	23,413
Leisure Time Activities	27	-	-	27
Basic Utility Services	68,124	-	-	68,124
Transportation	129,759	321,011	-	450,770
General Government	230,544	22,663	-	253,207
Capital Outlay	-	2,151	54,232	56,383
Debt Service:				
Principal Retirement	-	-	2,250	2,250
<i>Total Cash Disbursements</i>	<u>1,693,094</u>	<u>356,371</u>	<u>56,482</u>	<u>2,105,947</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(17,983)	(233,570)	(56,482)	(308,035)
Other Financing Receipts (Disbursements)				
Transfers In	500,000	500,000	-	1,000,000
Transfers Out	(500,000)	-	(500,000)	(1,000,000)
Sale of Capital Assets	13,056	-	-	13,056
<i>Total Other Financing Receipts (Disbursements)</i>	<u>13,056</u>	<u>500,000</u>	<u>(500,000)</u>	<u>13,056</u>
<i>Net Change in Fund Cash Balances</i>	(4,927)	266,430	(556,482)	(294,979)
<i>Fund Cash Balances, January 1, restated</i>	<u>1,440,436</u>	<u>(81,353)</u>	<u>9,436,027</u>	<u>10,795,110</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,435,509</u>	<u>\$ 185,077</u>	<u>\$ 8,879,545</u>	<u>\$ 10,500,131</u>

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

VILLAGE OF KIRTLAND HILLS
LAKE COUNTY
STATEMENT OF ADDITIONS, DEDUCTIONS
AND CHANGES IN FUND BALANCES - REGULATORY CASH BASIS
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Other Custodial
Additions	
Deposits Received	\$ 5,268
<i>Total Additions</i>	5,268
Deductions	
Distributions Of Deposits	4,956
<i>Total Deductions</i>	4,956
<i>Net Change in Fund Cash Balance</i>	312
<i>Fund Cash Balances, January 1</i>	30,193
<i>Fund Cash Balances, December 31</i>	\$ 30,505

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

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 10 to the financial statements provide additional information for this entity.

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

Fund Accounting

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

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

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

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

Capital Projects Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project fund:

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

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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, since 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 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 also 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 re-appropriated.

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. The Village records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

The Village values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report. The 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 a NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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 (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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 is 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.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

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 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021, follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,761,540	\$ 2,188,167	\$ 426,627
Special Revenue	96,718	622,801	526,083
Capital Projects	-	-	-

2021 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,728,922	\$ 2,193,094	\$ (464,172)
Special Revenue	415,730	356,371	59,359
Capital Projects	306,735	556,482	(249,747)

Contrary to Ohio Revised Code Section 5705.41(B), the Village had budgetary disbursements in excess of appropriations in several funds.

Note 4 – Deposits and Investments

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

	2021
Demand deposits	\$ 57,125
Total deposits	57,125
STAR Ohio	2,961
Money Market Fund	10,470,550
Total investments	10,473,511
Total deposits and investments	\$10,530,636

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 4 – Deposits and Investments (Continued)

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 was holding \$14,980 in unremitted employee withholdings.

Deposits

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

Investments

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

Note 5 – 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.

Note 6 – Interfund Transfers

Transfers

During 2021, the following transfers were made:

Transfer from Capital Fund to the General Fund: \$500,000

Transfer from General Fund to the Street Maintenance and Repair Fund: \$500,000

The transfer from the Capital Fund to the General Fund is allowed per Village Ordinance and Village Charter.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Self-Insurance

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most 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 rate. OPERS members contributed 10.00% of their gross salaries and the Village contributed an amount equaling 14.00% of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 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 10 – Public Entity Risk Pool

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

Note 11 – Debt

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC #CG35U-O	\$ 27,000	0.00%

The Village obtained a no interest loan through Ohio Public Works Commission, payable over twenty years with payments due twice a year.

Amortization

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

Year Ending December 31:	OPWC Loans
2022	\$ 1,500
2023	1,500
2024	1,500
2025	1,500
2026	1,500
2027-2031	7,500
2032-2036	7,500
2037-2041	4,500
Total	<u>\$ 27,000</u>

Village of Kirtland Hills
Lake County, Ohio
Notes to the Financial Statements
December 31, 2021

Note 12- Fund Balances

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. The Village had zero encumbrances at year end.

The fund balances of special revenue funds are either restricted or committed. The fund balance of capital projects funds are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

Note 13 – 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. 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

The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Note 14 – Prior Period Adjustment

An understatement of investment balance required the Capital Projects Fund to be increased by \$115,099.

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

Village of Kirtland Hills
Lake County
8026 Chillicothe Road
Kirtland Hills, OH 44095

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type and the fiduciary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Kirtland Hills, Lake County, (the Village) and have issued our report thereon dated July 10, 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 purposes of expressing our opinions 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2022-001.

We also noted a certain other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 10, 2023.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying Corrective Action Plan. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

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.



Charles E. Harris & Associates, Inc.
July 10, 2023

Village of Kirtland Hills
Lake County
Schedule of Findings
December 31, 2022 and 2021

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number 2022-001 - Noncompliance

Budgetary Disbursements Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. The following funds had total expenditures plus encumbrances in excess of appropriations for 2021:

	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$1,728,922	\$ 2,193,094	\$(464,172)
Capital Projects-Capital Improvement	306,735	556,482	(249,747)

We recommend Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then the Council and the Fiscal Officer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management's Response:

See Corrective Action Plan.

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2022 and 2021
Prepared by Management**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Material Weakness and Noncompliance - Financial Reporting	Corrected	

Village Kirtland Hills
Lake County
 Corrective Action Plan (Prepared by Management)
 December 31, 2022 and 2021

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001	The issue noted was done under the previous administration. The new Fiscal Officer was hired in 2022. As evidenced by budgetary compliance in 2022, the new Fiscal Officer will continue to ensure compliance going forward.	Immediately	Bernice Schrieber, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF KIRTLAND HILLS

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/12/2023

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