



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF BERLIN HEIGHTS  
ERIE COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of Berlin Heights  
Erie County  
8 West Main Street, P.O. Box 30  
Berlin Heights, Ohio 44814

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Berlin Heights, Erie County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Berlin Heights, Erie County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

May 9, 2019

**Village of Berlin Heights**  
*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, 2018*

|   | <b>General</b>   | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|------------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts</b>                    |                  |                            |                             |   |
| Property and Other Local Taxes          | \$163,814        | \$84,900                   |                             | \$248,714                               |
| Intergovernmental                       | 48,780           | 39,522                     |                             | 88,302                                  |
| Special Assessments                     |                  | 1,561                      |                             | 1,561                                   |
| Fines, Licenses and Permits             | 12,887           |                            |                             | 12,887                                  |
| Earnings on Investments                 | 323              | 62                         |                             | 385                                     |
| Miscellaneous                           | 9,998            |                            | \$104,000                   | 113,998                                 |
| <i>Total Cash Receipts</i>              | <u>235,802</u>   | <u>126,045</u>             | <u>104,000</u>              | <u>465,847</u>                          |
| <b>Cash Disbursements</b>               |                  |                            |                             |   |
| Current:                                |                  |                            |                             |   |
| Security of Persons and Property        | 35,651           | 83,081                     |                             | 118,732                                 |
| Public Health Services                  | 9,000            |                            |                             | 9,000                                   |
| Leisure Time Activities                 | 18,119           |                            |                             | 18,119                                  |
| Community Environment                   | 3,999            |                            |                             | 3,999                                   |
| Basic Utility Services                  | 265              |                            |                             | 265                                     |
| Transportation                          | 7,740            | 54,001                     |                             | 61,741                                  |
| General Government                      | 67,356           |                            |                             | 67,356                                  |
| <i>Total Cash Disbursements</i>         | <u>142,130</u>   | <u>137,082</u>             |                             | <u>279,212</u>                          |
| <i>Net Change in Fund Cash Balances</i> | 93,672           | (11,037)                   | 104,000                     | 186,635                                 |
| <i>Fund Cash Balances, January 1</i>    | <u>191,217</u>   | <u>79,902</u>              |                             | <u>271,119</u>                          |
| <b>Fund Cash Balances, December 31</b>  |                  |                            |                             |   |
| Restricted                              |                  | 68,865                     | 104,000                     | 172,865                                 |
| Assigned                                | 284,889          |                            |                             | 284,889                                 |
| <i>Fund Cash Balances, December 31</i>  | <u>\$284,889</u> | <u>\$68,865</u>            | <u>\$104,000</u>            | <u>\$457,754</u>                        |

*See accompanying notes to the financial statements*

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The Village of Berlin Heights, 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, park operations, cemetery maintenance, street and highway maintenance and repair, and police services. The Village contracts with North Central EMS to provide emergency medical services.

***Public Entity Risk Pool***

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, which is a public entity risk pool that provides property and casualty insurance 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 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 to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair Fund*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Other Special Revenue - Police Fund*** The other special revenue – police fund receives property tax monies to be used for police protection services.

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



**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Other Capital Projects Fund*** The other capital projects fund accounts for and reports proceeds of donations. The proceeds are restricted for Mechanic Street repairs.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires each fund be budgeted annually.

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

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

***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:

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

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

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

**Note 3 - Budgetary Activity**

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

| 2018 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$209,821            | \$235,802          | \$25,981  |
| Special Revenue                   | 113,893              | 126,045            | 12,152    |
| Capital Projects                  |                      | 104,000            | 104,000   |
| Total                             | \$323,714            | \$465,847          | \$142,133 |

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$401,038                  | \$142,130                 | \$258,908 |
| Special Revenue                                       | 193,796                    | 137,082                   | 56,714    |
| Total   | \$594,834                  | \$279,212                 | \$315,622 |

**Note 4 – Deposits**

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

|                 |           |
|-----------------|-----------|
|                 | 2018      |
| Demand deposits | \$457,754 |

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

**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.

**Note 6 - Risk Management**

***Risk Pool Membership***

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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the retention level; at March 31, 2018, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2018.

|                     |                   |
|---------------------|-------------------|
| Assets              | \$1,341,128       |
| Liabilities         | <u>(884,941)</u>  |
| Accumulated Surplus | \$ <u>456,187</u> |

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village employees, except as noted below, 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 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, 2018.

***Ohio Police and Fire Retirement System***

The Village's police chief belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The OP&F participant contributed 12.25 percent of her wages. The Village contributed to OP&F an amount equal to 19.5 percent of the police chief's wages. The Village has paid all contributions required through December 31, 2018.

**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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 9 – Miscellaneous Receipts**

General Fund miscellaneous receipts consisted primarily of proceeds from an insurance claim.

Capital Projects Fund Type miscellaneous receipts consisted of a restricted donation from a trust.

**Note 10 – Compliance**

Contrary to Ohio law, the Fiscal Officer incorrectly recorded a contribution from a trust in the General Fund.

**Village of Berlin Heights**  
*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, 2017*

|   | <b>General</b>   | <b>Special<br/>Revenue</b> | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|------------------|----------------------------|---|
| <b>Cash Receipts</b>                    |                  |                            |   |
| Property and Other Local Taxes          | \$140,769        | \$82,250                   | \$223,019                               |
| Intergovernmental                       | 50,162           | 38,298                     | 88,460                                  |
| Special Assessments                     |                  | 10,452                     | 10,452                                  |
| Fines, Licenses and Permits             | 13,675           |                            | 13,675                                  |
| Earnings on Investments                 | 221              | 67                         | 288                                     |
| Miscellaneous                           | 8,185            |                            | 8,185                                   |
| <i>Total Cash Receipts</i>              | <u>213,012</u>   | <u>131,067</u>             | <u>344,079</u>                          |
| <b>Cash Disbursements</b>               |                  |                            |   |
| Current:                                |                  |                            |   |
| Security of Persons and Property        | 68,499           | 77,477                     | 145,976                                 |
| Public Health Services                  | 9,000            |                            | 9,000                                   |
| Leisure Time Activities                 | 8,855            |                            | 8,855                                   |
| Community Environment                   | 1,833            |                            | 1,833                                   |
| Basic Utility Services                  | 154              |                            | 154                                     |
| Transportation                          | 1,530            | 47,193                     | 48,723                                  |
| General Government                      | 75,180           |                            | 75,180                                  |
| <i>Total Cash Disbursements</i>         | <u>165,051</u>   | <u>124,670</u>             | <u>289,721</u>                          |
| <i>Net Change in Fund Cash Balances</i> | 47,961           | 6,397                      | 54,358                                  |
| <i>Fund Cash Balances, January 1</i>    | <u>143,256</u>   | <u>73,505</u>              | <u>216,761</u>                          |
| <b>Fund Cash Balances, December 31</b>  |                  |                            |   |
| Restricted                              |                  | 79,902                     | 79,902                                  |
| Assigned                                | 191,217          |                            | 191,217                                 |
| <i>Fund Cash Balances, December 31</i>  | <u>\$191,217</u> | <u>\$79,902</u>            | <u>\$271,119</u>                        |

*See accompanying notes to the financial statements*

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Berlin Heights, 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, park operations, cemetery maintenance, street and highway maintenance and repair, and police services. The Village contracts with North Central EMS to provide emergency medical services.

***Public Entity Risk Pool***

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, which is a public entity risk pool that provides property and casualty insurance 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 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 to expenditure for specified purposes. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair Fund*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Other Special Revenue - Police Fund*** The other special revenue – police fund receives property tax monies to be used for police protection services.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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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, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires each fund be budgeted annually.

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

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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



**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

**Note 3 - Budgetary Activity**

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

| 2017 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$184,398            | \$213,012          | \$28,614 |
| Special Revenue                   | 112,521              | 131,067            | 18,546   |
| Total                             | \$296,919            | \$344,079          | \$47,160 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$327,654                  | \$165,051                 | \$162,603 |
| Special Revenue                                       | 186,027                    | 124,670                   | 61,357    |
| Total   | \$513,681                  | \$289,721                 | \$223,960 |

**Note 4 – Deposits**

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

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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|                 |                  |
|-----------------|------------------|
|                 | <u>2017</u>      |
| Demand deposits | <u>\$271,119</u> |

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

**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.

**Note 6 - Risk Management**

***Risk Pool Membership***

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2017, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2017.

|                     |                   |
|---------------------|-------------------|
| Assets              | \$1,091,882       |
| Liabilities         | <u>(757,765)</u>  |
| Accumulated Surplus | \$ <u>334,117</u> |

**Village of Berlin Heights**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village employees, except as noted below, 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 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, 2017.

***Ohio Police and Fire Retirement System***

The Village's police chief belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The OP&F participant contributed 12.25 percent of her wages. The Village contributed to OP&F an amount equal to 19.5 percent of the police chief's wages. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

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# OHIO AUDITOR OF STATE KEITH FABER



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

Village of Berlin Heights  
Erie County  
8 West Main Street, P.O. Box 30  
Berlin Heights, Ohio 44814

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Berlin Heights, Erie County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2019 wherein we noted the Village followed financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

***Village's Response to Finding***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

May 9, 2019

VILLAGE OF BERLIN HEIGHTS  
ERIE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2107

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

FINDING NUMBER 2018-001

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10(D)** provides in part that except all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Village inappropriately recorded \$104,000 of restricted donated receipts for a road project as charges for services in the General Fund during 2018. Given the source of the revenue, this should have been recorded as a miscellaneous receipt in the Capital Project Fund Type. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**Officials' Response:**

The Fiscal Officer will ensure proper classification and recording of financial activity in the future.

# VILLAGE OF BERLIN HEIGHTS

OFFICE OF THE MAYOR

8 West Main Street ▪ P.O. Box 30  
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www.villageofberlinheights.com

CARL J. KAMM III  
Mayor

KATHY DEEHR  
Fiscal Officer

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b>   | <b>Additional Information</b> |
|-----------------------|--|---|-------------------------------|
| 2016-001              | Finding first reported in 2014. Material weakness for errors in financial reporting. | Corrective action taken and finding is fully corrected. | N/A                           |



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF BERLIN HEIGHTS**

**ERIE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 28, 2019**