



OHIO AUDITOR OF STATE
KEITH FABER



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Village Council, Mayor and the management of the Village of Kirtland Hills, Lake County, Ohio (the Village), on the receipts, disbursements and balances recorded in the Village's cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Village. The Village is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Village. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Balance Sheet to the December 31, 2016 balances in the prior year documentation in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Balance Sheet to the December 31, 2017 balances in the Balance Sheet. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the Balance Sheet. The amounts agreed.
4. We observed the December 31, 2018 bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation without exception.
5. We selected a sample (agreed upon) of five reconciling debits (such as outstanding checks) from the December 31, 2018 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.

Cash and Investments – (Continued)

6. We inspected investments held at December 31, 2018 and December 31, 2017 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2018 and one from 2017:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Journal #2 Receipts & Adjustments. We also traced the advances noted on the Statement to the Journal #2 Receipts & Adjustments. The amounts agreed.
 - b. We inspected the Journal #2 Receipts & Adjustments to confirm the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Journal #2 Receipts & Adjustments to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Journal #2 Receipts & Adjustments to determine whether it included two real estate tax receipts plus two advances for 2018 and 2017. The Journal #2 Receipts & Adjustments included the proper number of tax receipts for each year.
3. We selected a sample (agreed upon) of five receipts from the State Distribution Transaction Lists (DTL) from 2018 and five from 2017.
 - a. We compared the amount from the above report to the amount recorded in the Journal #2 Receipts & Adjustments. The amounts agreed.
 - b. We inspected the Journal #2 Receipts & Adjustments to determine that these receipts were allocated to the proper fund. We found no exceptions.
 - c. We inspected the Journal #2 Receipts & Adjustments to determine whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2016.
2. We inquired of management, and inspected the Journal #2 Receipts & Adjustments and Journal #3 Disbursements for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. There were no new debt issuances, nor any debt payment activity during 2018 or 2017.

Payroll Cash Disbursements

1. We selected a sample (agreed upon) of one payroll check for five employees from 2018 and one payroll check for five employees from 2017 from the Paycor Reports and:
 - a. We compared the hours and pay rate, or salary recorded in the Paycor Reports to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
 - c. We inspected the fund and account code to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the minutes record. We also confirmed the payment was posted to the proper year. We found no exceptions.

2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2018. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2019	January 31, 2019	\$21,373.47	\$21,373.47
State income taxes	January 15, 2019	January 15, 2019	\$1,249.01	\$1,249.01
OPERS retirement	January 30, 2019	January 30, 2019	\$6,656.54	\$6,656.54
OP&F retirement	January 31, 2019	January 31, 2019	\$12,398.98	\$12,398.98

3. We selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Paycor Reports:
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Village's payout policy

The amount paid was consistent with the information recorded in a. through c. above.

Non-Payroll Cash Disbursements

We selected a sample (agreed upon) of ten disbursements from the Journal #3 Disbursements for the year ended December 31, 2018 and ten from the year ended December 31, 2017 and determined whether:

- a. The disbursements were for a proper public purpose. We found no exceptions.
- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Journal #3 Disbursements and to the names and amounts on the supporting invoices. We found no exceptions.
- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The Clerk Treasurer certified disbursements requiring certification, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Financial Statement Report for the General Fund, Street Repair Fund and Capital Improvement Fund for the years ended December 31, 2018 and 2017. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General Fund. The Financial Statement Report recorded budgeted (i.e. certified) resources for the General Fund of \$1,592,636 and \$1,403,837 for 2018 and 2017 respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$1,369,396 and \$1,225,716 for 2018 and 2017 respectively. The clerk treasurer should periodically compare amounts recorded in the Financial Statement Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General Fund, Street Repair Fund and Capital Improvement Fund, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Financial Statement Report for 2018 and 2017 for the following funds: General Fund, Street Repair Fund, and Capital Improvement Fund. Total appropriations agreed to the amount recorded in the accounting system, except for the Capital Improvement Fund. The Financial Statement Report recorded appropriations for the Capital Improvement fund of \$898,610 for 2018. However, the final amended appropriations reflected \$398,610 for 2018. The Fiscal Officer should periodically compare amounts recorded in the Financial Statement Report to final amended appropriation amounts passed by Council to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General Fund, Street Repair Fund and Capital Improvement Fund for the years ended December 31, 2018 and 2017. Street Repair Fund appropriations for 2018 and 2017 exceeded certified resources by \$129,262 and \$16,627 respectively, contrary to Ohio Rev. Code Section 5705.39. The Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2018 and 2017 for the General Fund, Street Repair Fund and Capital Improvement Fund, as recorded in the Financial Statement Report. We observed that the Capital Improvement Fund expenditures for 2018 exceeded total appropriations by \$488,797, contrary to Ohio Rev. Code Section 5705.41(B). The Clerk Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk Treasurer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Financial Statement Report for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the Village received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.

Compliance – Budgetary – (Continued)

7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2018 and 2017 Financial Statement Report for evidence of interfund transfers exceeding \$100, which Ohio Rev. Code Sections 5705.14 - .16 restrict.

In 2018, the Village transferred \$450,000 and \$50,000 from the Capital Improvement Fund to the General Fund and Street Repair Fund, respectively. In 2017, the Village transferred \$350,000 from the Capital Improvement Fund to the Street Repair Fund. Ohio Rev. Code Section 5705.16 does not permit these transfers without approval of the Tax Commissioner (effective after June 30, 2017) or the Court of Common Pleas (effective through June 30, 2017). The Village did not obtain this approval. We therefore requested management to adjust these amounts to the Capital Improvement Fund. As of the date of this report, management has not yet made the required adjustment back to the Capital Improvement Fund and has declined to obtain the aforementioned required approvals.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund and Street Repair Fund in favor of the Capital Improvement Fund in the amount of \$450,000 and \$400,000, respectively.

9. We inquired of management and inspected the Balance Sheet to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Village did not establish these reserves.
10. We inspected the Balance Sheet for the years ended December 31, 2018 and 2017 for negative cash fund balance. Ohio Rev. Code Section 5705.10(l) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. There were no funds having negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Journal #3 Disbursements for the years ended December 31, 2018 and 2017 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the Village filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the year ended December 31, 2018 in the Hinkle system. Financial information for the year ended December 31, 2017 was originally filed within the allotted timeframe, but then refiled on January 23, 2019, which was not within the allotted timeframe.
2. We inquired of the Clerk Treasurer to determine whether the Clerk Treasurer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. The Clerk Treasurer obtained the required training.
3. Ohio Rev. Code § 109.60(A)(1) requires Law Enforcement of Villages to report specific information to the Bureau of Criminal Identification and Investigation (BCI) for certain offenses. Village Law Enforcement shall immediately upon arrest of any person (or taking into custody for any child under 18) take and forward the person's or child's fingerprints. We inspected the NICS Process form to determine if there is an established method of fingerprint submission to BCI. The Village has an established method for fingerprint submission to BCI.
4. For all credit card accounts obtained: copies of existing internal control policies, a list of authorized users, and a list of all credit card account transactions.
 - a. We inspected the established policy obtained above and determined it:
 - i. Was in compliance with the HB 312 statutory requirements, and
 - ii. Was implemented by the Village.

We found the Village's policy was not in accordance with HB 312. We found no other exceptions.

- b. We selected 5 credit card transactions made by employees for testing. For selected transactions we inspected documentation to determine that:
 - i. Each transaction was supported with original invoices and for a proper public purpose. We found no exceptions.

The Village has responded to the issue regarding interfund transfers discussed in this report. You may obtain a copy of their response from Carol Lorek, Fiscal Officer at the Village of Kirtland Hills at 8026 Chillicothe Road, Kirtland Hills, Ohio 44060 or by calling 440-974-9090.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Village's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

June 12, 2019

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF KIRTLAND HILLS

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 6, 2019**