



**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002



**Auditor of State
Betty Montgomery**

VILLAGE OF KIRTLAND HILLS
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the Village of Kirtland Hills, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Kirtland Hills, Lake County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 31, 2004

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Property Tax and Other Local Taxes	\$760,852	\$10,056	\$0	\$0	\$770,908
Intergovernmental Receipts	339,616	37,672	3,236,108	0	3,613,396
Charges for Services	12,146	0	0	0	12,146
Fines, Licenses, and Permits	80,343	1,303	0	0	81,646
Earnings on Investments	475,168	3,035	0	0	478,203
Miscellaneous	56,628	0	0	0	56,628
Total Cash Receipts	1,724,753	52,066	3,236,108	0	5,012,927
Cash Disbursements:					
Current:					
Security of Persons and Property	827,700	14,511	0	0	842,211
Public Health Services	11,039	0	0	0	11,039
Leisure Time Activities	3,421	0	0	0	3,421
Basic Utility Services	59,591	0	0	0	59,591
Transportation	330,686	103,327	0	0	434,013
General Government	184,486	119	0	0	184,605
Debt Service:					
Principal Payments	0	5,000	0	0	5,000
Capital Outlay	32,433	0	106,014	0	138,447
Total Cash Disbursements	1,449,356	122,957	106,014	0	1,678,327
Total Receipts Over/(Under) Disbursements	275,397	(70,891)	3,130,094	0	3,334,600
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	5,325	0	0	0	5,325
Transfers-In	0	250,000	0	0	250,000
Transfers-Out	(250,000)	0	0	0	(250,000)
Other Sources	0	0	0	9,900	9,900
Other Uses	0	0	0	(10,350)	(10,350)
Total Other Financing Receipts/(Disbursements)	(244,675)	250,000	0	(450)	4,875
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	30,722	179,109	3,130,094	(450)	3,339,475
Fund Cash Balances, January 1, 2003	651,513	345,187	7,257,880	53,737	8,308,317
Fund Cash Balances, December 31, 2003	\$682,235	\$524,296	\$10,387,974	\$53,287	\$11,647,792

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

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Property Tax and Other Local Taxes	\$698,096	\$9,226	\$0	\$0	\$707,322
Intergovernmental Receipts	338,319	42,494	4,870,491	0	5,251,304
Charges for Services	23,695	0	0	0	23,695
Fines, Licenses, and Permits	67,075	3,051	0	0	70,126
Earnings on Investments	258,051	4,659	0	0	262,710
Miscellaneous	47,106	0	0	0	47,106
Total Cash Receipts	1,432,342	59,430	4,870,491	0	6,362,263
Cash Disbursements:					
Current:					
Security of Persons and Property	756,001	15,740	0	0	771,741
Public Health Services	10,223	0	0	0	10,223
Leisure Time Activities	3,414	0	0	0	3,414
Community Environment	7,798	0	0	0	7,798
Basic Utility Services	56,651	0	0	0	56,651
Transportation	272,151	137,841	0	0	409,992
General Government	173,895	99	0	0	173,994
Debt Service:					
Principal Payments	0	5,000	0	0	5,000
Capital Outlay	22,301	0	95,441	0	117,742
Total Cash Disbursements	1,302,434	158,680	95,441	0	1,556,555
Total Receipts Over/(Under) Disbursements	129,908	(99,250)	4,775,050	0	4,805,708
Other Financing Receipts and (Disbursements):					
Transfers-In	0	85,000	0	0	85,000
Transfers-Out	(85,000)	0	0	0	(85,000)
Other Sources	0	0	0	23,050	23,050
Other Uses	0	0	0	(18,163)	(18,163)
Total Other Financing Receipts/(Disbursements)	(85,000)	85,000	0	4,887	4,887
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	44,908	(14,250)	4,775,050	4,887	4,810,595
Fund Cash Balances, January 1, 2002	606,605	359,437	2,482,830	48,850	3,497,722
Fund Cash Balances, December 31, 2002	\$651,513	\$345,187	\$7,257,880	\$53,737	\$8,308,317

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

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kirtland Hills, Lake County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council. The Village provides general government services, including road and bridge maintenance, and police services. The Village contracts with the City of Kirtland to provide fire services and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. U.S. Treasury Notes and Bonds and Federal Agency Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund - This fund received estate tax. The proceeds are used to fund major capital outlay for the Village.

4. Fiduciary Fund (Trust and Agency Fund)

A fund for which the Village is acting in an agency capacity is classified as an agency fund. The Village had the following significant Fiduciary Fund:

Zoning Deposits Agency Fund – This fund is used for performance bond deposits 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 posted bond.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The reservation is accomplished through the Then and Now certification allowed under Ohio Law. Unpaid commitments at year end are encumbered in the subsequent year appropriations.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$38,130	\$42,236
Total deposits	38,130	42,236
U.S. Treasury Notes & Deposits	0	249,228
STAR Ohio	406,315	361,831
Federal Agency Notes	11,203,347	7,655,022
Total investments	11,609,662	8,266,081
Total deposits and investments	\$11,647,792	\$8,308,317

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The Village's investments in Federal Agency Notes include Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. U.S. Treasury Notes and Bonds and Federal Agency Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,578,386	\$1,730,078	\$151,692
Special Revenue	301,941	302,066	125
Capital Projects	30,134	3,236,108	3,205,974
Total	\$1,910,461	\$5,268,252	\$3,357,791

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,754,831	\$1,699,356	\$55,475
Special Revenue	125,341	122,957	2,384
Capital Projects	143,500	106,014	37,486
Total	\$2,023,672	\$1,928,327	\$95,345

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,382,924	\$1,432,342	\$49,418
Special Revenue	79,866	144,430	64,564
Capital Projects	90,000	4,870,491	4,780,491
Total	\$1,552,790	\$6,447,263	\$4,894,473

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,470,082	\$1,387,434	\$82,648
Special Revenue	190,630	158,680	31,950
Capital Projects	214,000	95,441	118,559
Total	\$1,874,712	\$1,641,555	\$233,157

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission - 2001	35,000	0%
Total	\$35,000	

The Ohio Public Works Commission loan relates to improvements for Garfield Road. The loan will be repaid in semiannual installments of \$2,500 over 10 years. This debt is paid from the Special Revenue Fund, Street Repair.

Amortization of the above debt is scheduled as follows:

	<u>OPWC Loan</u>
Year ending December 31:	
2004	\$5,000
2005	5,000
2006	5,000
2007	5,000
2008	5,000
2009 – 2010	10,000
Total	\$35,000

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited the accompanying financial statements of the Village of Kirtland Hills, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 31, 2004. We conducted our audit 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 by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 31, 2004.

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Village of Kirtland Hills
Lake County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 31, 2004



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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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
MAY 6, 2004**