



**Auditor of State
Betty Montgomery**

VILLAGE OF WAITE HILL
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waite Hill
Lake County
7215 Eagle Road
Waite Hill, Ohio 44094

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Waite Hill, Lake County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Waite Hill, Lake County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

July 14, 2005

**VILLAGE OF WAITE HILL
LAKE COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the Village of Waite Hill, Ohio, (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$49,442, or .57 percent. The fund most affected by the increase in cash and cash equivalents was Other Governmental Funds, which realized the transfer of funds for future costs.

The Village's general receipts are primarily property taxes, intergovernmental and interest revenues. These receipts represent respectively 36.6, 27.1 and 34.9 percent of the total cash received for governmental activities during the year. Property and interest receipts for 2004 changed very little compared to 2003 as development within the Village has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we express the Village's activities as the following:

Governmental Activities - The Village services are reported here, including police and streets. Property taxes, intergovernmental, and interest revenues finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are categorized as governmental.

Governmental Funds - The Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General and Capital Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**VILLAGE OF WAITE HILL
LAKE COUNTY**
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities 2004</u>
Assets	
Equity in Pooled Cash and Investments	\$8,799,471
Total Assets	<u>\$8,799,471</u>
Net Assets	
Restricted for:	
Capital Outlay	7,684,076
Other Purposes	159,372
Unrestricted	<u>956,023</u>
Total Net Assets	<u>\$8,799,471</u>

As mentioned previously, net assets of governmental activities increased \$49,442 or .57 percent during 2004. The primary reason contributing to the increase in cash balances was an increase in property taxes.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF WAITE HILL
LAKE COUNTY**
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities
	2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$8,347
Total Program Receipts	8,347
General Receipts:	
Property Taxes	446,128
Police Pension	10,538
Intergovernmental	337,877
Interest	434,802
Miscellaneous	16,840
Total General Receipts	1,246,185
Total Receipts	1,254,532
Disbursements:	
General Government	198,148
Security of Persons and Property:	573,234
Public Health Services	10,338
Community Environment	8,568
Basic Utilities	31,283
Transportation	362,544
Capital Outlay	20,975
Total Disbursements	1,205,090
Increase (Decrease) in Net Assets	49,442
Net Assets, January 1, 2004	8,750,029
Net Assets, December 31, 2004	\$8,799,471

Program receipts represent only .7 percent of total receipts and are primarily comprised of court fines, law enforcement and education and drug fines and forfeitures money.

General receipts represent 99.3 percent of the Village's total receipts, and of this amount, over 36.6 percent are local taxes. Interest accounts for 34.9 percent and intergovernmental revenue accounts for 27.1 percent of general receipts, respectively. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the auditor, treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of Persons and Property are the costs of the police department and fire protection; Public Health Services is the county health department fees; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 30.1 and 47.6 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 16.4 percent. The column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$198,148	(\$189,836)
Security of Persons and Property	573,234	(573,199)
Public Health Services	10,338	(10,338)
Community Environment	8,568	(8,568)
Basic Utilities	31,283	(31,283)
Transportation	362,544	(362,544)
Capital Outlay	20,975	(20,975)
Total Expenses	\$1,205,090	(\$1,196,743)

The dependence upon property tax, intergovernmental and interest receipts is apparent as over 99 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$1,422,032 and disbursements of \$1,372,590. The greatest change within governmental funds occurred within the Other Governmental Fund category. The fund balance of the Other Governmental Fund increased \$50,107 as the result of transferring \$127,500 to the Street Maintenance & Repair fund for future road and equipment expenditures.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Village amended its General Fund budget two times to reflect changing circumstances. Final budgeted receipts were equal to original budgeted receipts due to no change in anticipated receipts. The difference between final budgeted receipts and actual receipts was \$25,998.

Final disbursements were budgeted at \$1,438,500 while actual disbursements were \$1,198,851. Although receipts exceeded expectations, appropriations remained unchanged. The Village kept spending within budgeted amounts as demonstrated by the reported positive variances between actual expenditures and final appropriations. The result is the increase in fund balance of \$19,060 for 2004.

Capital Assets

The Government maintains a listing of its capital assets and infrastructure by department. These records are not required to be presented in the financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and interest income and have no industry to support the tax base. Our 2005 estimated disbursements are only slightly increased from 2004 due to anticipated lower interest income and the freeze on local government funding.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Janet Mulh, Clerk-Treasurer, Village of Waite Hill, 7215 Eagle Road, Waite Hill, Ohio 44094.

VILLAGE OF WAITE HILL
LAKE COUNTY
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$8,799,471</u>
<i>Total Assets</i>	<u><u>\$8,799,471</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$7,684,076
Other Purposes	159,372
Unrestricted	<u>956,023</u>
<i>Total Net Assets</i>	<u><u>\$8,799,471</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF WAITE HILL
LAKE COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities		
General Government	\$198,148	\$8,312
Security of Persons and Property	573,234	35
Public Health Services	10,338	0
Community Environment	8,568	0
Basic Utility Services	31,283	0
Transportation	362,544	0
Capital Outlay	20,975	0
<i>Total Governmental Activities</i>	<u>\$1,205,090</u>	<u>\$8,347</u>
General Receipts		
Property Taxes Levied for:		
		446,128
		10,538
		337,877
		434,802
		16,840
		<u>1,246,185</u>
		49,442
		<u>8,750,029</u>
		<u>\$8,799,471</u>

See accompanying notes to the basic financial statements

**VILLAGE OF WAITE HILL
LAKE COUNTY**

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2004

	General	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$956,024	\$7,684,076	\$159,371	\$8,799,471
<i>Total Assets</i>	<u>\$956,024</u>	<u>\$7,684,076</u>	<u>\$159,371</u>	<u>\$8,799,471</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	956,024			956,024
Special Revenue Funds			159,371	159,371
Capital Projects Fund		7,684,076		7,684,076
<i>Total Fund Balances</i>	<u>\$956,024</u>	<u>\$7,684,076</u>	<u>\$159,371</u>	<u>\$8,799,471</u>

See accompanying notes to the basic financial statements

VILLAGE OF WAITE HILL
LAKE COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004

Total Governmental Fund Balances	<u>\$8,799,471</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$8,799,471</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF WAITE HILL
LAKE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004*

	General	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$446,128		\$10,538	\$456,666
Fines, Licenses and Permits	8,312		35	8,347
Intergovernmental	311,829	\$1,250	24,798	337,877
Interest	434,802			434,802
Miscellaneous	16,840			16,840
<i>Total Receipts</i>	<u>1,217,911</u>	<u>1,250</u>	<u>35,371</u>	<u>1,254,532</u>
Disbursements				
Current:				
General Government	198,148			198,148
Security of Persons and Property	512,706		60,528	573,234
Public Health Services	10,338			10,338
Community Environment	8,568			8,568
Basic Utility Services	31,283			31,283
Transportation	270,308		92,236	362,544
Capital Outlay		20,975		20,975
<i>Total Disbursements</i>	<u>1,031,351</u>	<u>20,975</u>	<u>152,764</u>	<u>1,205,090</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>186,560</u>	<u>(19,725)</u>	<u>(117,393)</u>	<u>49,442</u>
Other Financing Sources (Uses)				
Transfers In			167,500	167,500
Transfers Out	(167,500)			(167,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(167,500)</u>	<u>0</u>	<u>167,500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	19,060	(19,725)	50,107	49,442
<i>Fund Balances Beginning of Year</i>	<u>936,964</u>	<u>7,703,801</u>	<u>109,264</u>	<u>8,750,029</u>
<i>Fund Balances End of Year</i>	<u><u>\$956,024</u></u>	<u><u>\$7,684,076</u></u>	<u><u>\$159,371</u></u>	<u><u>\$8,799,471</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF WAITE HILL
LAKE COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2004*

Net Change in Fund Balances - Total Governmental Funds	<u>\$8,799,471</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$8,799,471</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF WAITE HILL
LAKE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$436,605	\$436,605	\$446,128	\$9,523
Fines, Licenses and Permits	8,135	8,135	8,312	177
Intergovernmental	305,173	305,173	311,829	6,656
Interest	425,520	425,520	434,802	9,282
Miscellaneous	16,480	16,480	16,840	360
<i>Total receipts</i>	<u>1,191,913</u>	<u>1,191,913</u>	<u>1,217,911</u>	<u>25,998</u>
Disbursements				
Current:				
General Government	317,000	317,000	198,148	118,852
Security of Persons and Property	576,500	576,500	512,706	63,794
Public Health Services	12,500	12,500	10,338	2,162
Community Environment	15,000	15,000	8,568	6,432
Basic Utility Services	36,000	36,000	31,283	4,717
Transportation	314,000	314,000	270,308	43,692
<i>Total Disbursements</i>	<u>1,271,000</u>	<u>1,271,000</u>	<u>1,031,351</u>	<u>239,649</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(79,087)</u>	<u>(79,087)</u>	<u>186,560</u>	<u>265,647</u>
Other Financing Sources (Uses)				
Transfers Out	(167,500)	(167,500)	(167,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(167,500)</u>	<u>(167,500)</u>	<u>(167,500)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(246,587)</u>	<u>(246,587)</u>	<u>19,060</u>	<u>265,647</u>
<i>Fund Balance Beginning of Year</i>	<u>936,964</u>	<u>936,964</u>	<u>936,964</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$690,377</u>	<u>\$690,377</u>	<u>\$956,024</u>	<u>\$265,647</u>

See accompanying notes to the basic financial statements

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**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1. DESCRIPTION OF THE ENTITY

The Village of Waite Hill, Lake County, Ohio, (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, solid waste removal and police services.

The Village contracts with the City of Willoughby Hills' Fire Department to provide fire and ambulance services.

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

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2004. Financial information can be obtained by contacting NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These financial statements follow a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State prescribes.

B. Fund Accounting

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Village's funds are classified as either governmental or fiduciary.

VILLAGE OF WAITE HILL
LAKE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Village's major governmental funds:

General Fund – This 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.

Capital Projects Fund - This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

The other governmental funds of the Village account for other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governmental entities and are therefore not available to support the Village's own programs. The Village had no fiduciary funds.

C. Basis of Presentation

The Village's basic financial statements consist of government-wide statements, which include a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village.

The statement of net assets presents the financial condition of the governmental activities of the Village at December 31, 2004. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Village.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(CONTINUED)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements The Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Cash and Investments

The Village invested in Demand Deposits, Fifth Third Money Market, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Corporate Bonds, U.S. Treasury Notes and STAROhio during the audit period.

E. Inventory

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The accompanying financial statements do not report these items as assets.

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 modified cash basis of accounting.

H. Net Assets

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

I. 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, function or object 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(CONTINUED)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budgetary Process (Continued)

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The reservation is accomplished through the Then and Now certification allowed under Ohio law.

NOTE 3. 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:

	2004
Demand deposits	\$624,044
Total deposits	624,044
U.S. Treasury Notes	2,740,508
STAROhio	88,827
Federal Farm Credit Bank	498,845
Federal Home Loan Bank	1,844,946
Federal Home Loan Mortgage Corporation	399,640
Federal National Mortgage Association	489,531
Corporate Bonds	2,113,130
Total investments	8,175,427
Total deposits and investments	\$8,799,471

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool. Although the Village followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

Investments: U.S. Treasury Notes, Corporate Bonds, Federal Farm Credit Bank, Federal Home Loan Bank, and Federal National Mortgage Association and Federal Home Loan Mortgage Corporation 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 STAROhio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(CONTINUED)**

NOTE 4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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.

NOTE 5. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System of Ohio (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 2004, 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 2004. The Village has paid all contributions required through December 31, 2004.

NOTE 6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles, Emergency Medical Services, Law Enforcement Liability; and
- Commercial Catastrophe Liability, and errors and omissions.

The Village provides health, dental and vision insurance to full-time employees through a private carrier.

NOTE 7. SHARED RISK POOL

The Village is a participant in the Ohio Municipal League Group Rating Plan (OML), an insurance purchasing pool. The OML'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 officers, 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 coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program. The Village paid an enrollment fee of \$1,143 in 2004. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML.

VILLAGE OF WAITE HILL
LAKE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(CONTINUED)

NOTE 7. SHARED RISK POOL (Continued)

The workers' compensation experience of the participants calculated as one experience and a common premium rate is applied to all participants in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to participants that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.



Auditor of State Betty Montgomery

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

Village of Waite Hill
Lake County
7215 Eagle Road
Waite Hill, Ohio 44094

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Waite Hill, Lake County, Ohio, (the Village) as of and for the year ended December 31, 2004, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 14, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 14, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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, providing an opinion 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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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www.auditor.state.oh.us

Village of Waite Hill
Lake County
Independent Accounts' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, the management and the Village Council. It is not intended for 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

July 14, 2005



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF WAITE HILL

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 23, 2005**