



**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF KIRTLAND HILLS
LAKE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

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, 2001 and December 31, 2000. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed 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, 2001 and December 31, 2000, 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 1, 2002 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 audits.

This report is intended solely for the information and use of management, 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.

Jim Petro
Auditor of State

March 1, 2002

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**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Local Taxes	\$680,004	\$8,987	\$0		\$688,991
Intergovernmental	373,276	307,906	13,611		694,793
Charges for Services	26,901	0	0		26,901
Fines, Licenses, Permits, and Fees	71,013	11,640	0		82,653
Earnings on Investments	225,912	8,570	0		234,482
Other Revenue	67,385	0	0		67,385
Total Cash Receipts	<u>1,444,491</u>	<u>337,103</u>	<u>13,611</u>	<u>\$0</u>	<u>1,795,205</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	725,195	12,800	0		737,995
Public Health Services	9,232	0	0		9,232
Leisure Time Activities	1,254	0	0		1,254
Community Environment	17,226	0	0		17,226
Basic Utility Services	38,783	0	0		38,783
Transportation	293,819	426,125	0		719,944
General Government	171,233	97	0		171,330
Capital Outlay	53,527	0	189,684		243,211
Total Cash Disbursements	<u>1,310,269</u>	<u>439,022</u>	<u>189,684</u>	<u>0</u>	<u>1,938,975</u>
Total Receipts Over/(Under) Disbursements	<u>134,222</u>	<u>(101,919)</u>	<u>(176,073)</u>	<u>0</u>	<u>(143,770)</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	32,351				32,351
Transfers-In		125,000			125,000
Transfers-Out	(125,000)				(125,000)
Other Sources				16,689	16,689
Other Uses				(26,378)	(26,378)
Total Other Financing Receipts/(Disbursements)	<u>(92,649)</u>	<u>125,000</u>	<u>0</u>	<u>(9,689)</u>	<u>22,662</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>41,573</u>	<u>23,081</u>	<u>(176,073)</u>	<u>(9,689)</u>	<u>(121,108)</u>
Fund Cash Balances, January 1, 2001	<u>565,032</u>	<u>336,356</u>	<u>2,658,904</u>	<u>58,539</u>	<u>3,618,831</u>
Fund Cash Balances, December 31, 2001	<u>\$606,605</u>	<u>\$359,437</u>	<u>\$2,482,831</u>	<u>\$48,850</u>	<u>\$3,497,723</u>

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
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Local Taxes	\$613,429	\$8,107	\$0		\$621,536
Intergovernmental	409,866	239,566	516,541		1,165,973
Charges for Services	20,592	0	0		20,592
Fines, Licenses, Permits, and Fees	68,406	1,065	0		69,471
Earnings on Investments	188,964	0	0		188,964
Other Revenue	31,387	14,527	0		45,914
Total Cash Receipts	1,332,644	263,265	516,541	\$0	2,112,450
Cash Disbursements:					
Current:					
Security of Personal and Property	660,549	10,702	0		671,251
Public Health Services	8,628	0	0		8,628
Leisure Time Activities	1,193	0	0		1,193
Community Environment	3,384	0	0		3,384
Basic Utility Services	37,323	0	0		37,323
Transportation	281,746	261,903	0		543,649
General Government	174,773	83	0		174,856
Capital Outlay	59,681	0	213,495		273,176
Total Cash Disbursements	1,227,277	272,688	213,495	0	1,713,460
Total Receipts Over/(Under) Disbursements	105,367	(9,423)	303,046	0	398,990
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	4,205				4,205
Transfers-In		105,000			105,000
Transfers-Out	(105,000)				(105,000)
Other Sources				16,792	16,792
Other Uses				(22,589)	(22,589)
Total Other Financing Receipts/(Disbursements)	(100,795)	105,000	0	(5,797)	(1,592)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,572	95,577	303,046	(5,797)	397,398
Fund Cash Balances, January 1, 2000	560,460	240,779	2,355,858	64,336	3,221,433
Fund Cash Balances, December 31, 2000	\$565,032	\$336,356	\$2,658,904	\$58,539	\$3,618,831

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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kirtland Hills, 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, 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. Savings accounts and repurchase agreements are valued at cost. 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 Funds

These funds are 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 Construction, Maintenance and 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, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Funds

These funds are 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 intergovernmental revenue. The proceeds are used for major capital outlay for the Village.

4. Fiduciary Funds (Trust and Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. 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 the 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, function or object level of control, and appropriations may not exceed estimated resources. The Village 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 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 investment 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:

	2001	2000
Demand Deposits	\$184,847	\$26,639
Total deposits	184,847	26,639
US Treasury Notes & Deposits	398,926	548,626
STAR Ohio	292,403	523,682
Federal Agency Notes	2,621,547	2,519,884
Total investments	3,312,876	3,592,192
Total deposits and investments	\$3,497,723	\$3,618,831

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 Farm Credit Bank, Federal National Mortgage Association, Student Loan Marketing Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank. 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, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,474,508	\$1,476,842	\$2,334
Special Revenue	259,486	462,103	202,617
Capital Projects	13,611	13,611	0
Total	<u>\$1,747,605</u>	<u>\$1,952,556</u>	<u>\$204,951</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,489,157	\$1,435,269	\$53,888
Special Revenue	439,348	439,022	326
Capital Projects	203,611	189,684	13,927
Total	<u>\$2,132,116</u>	<u>\$2,063,975</u>	<u>\$68,141</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,275,673	\$1,336,849	\$61,176
Special Revenue	79,289	368,265	288,976
Capital Projects	220,000	516,541	296,541
Total	<u>\$1,574,962</u>	<u>\$2,221,655</u>	<u>\$646,693</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,470,780	\$1,332,277	\$138,503
Special Revenue	289,676	272,688	16,988
Capital Projects	222,023	213,495	8,528
Total	<u>\$1,982,479</u>	<u>\$1,818,460</u>	<u>\$164,019</u>

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payment, 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 with 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, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$45,000	0%
Total	\$45,000	

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

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Ohio Public Works Obligation
2002	\$5,000
2003	5,000
2004	5,000
2005	5,000
2006	5,000
2007-2010	20,000
Total	\$45,000

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

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.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

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

To the Village Council:

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, 2001 and December 31, 2000, and have issued our report thereon dated March 1, 2002. We conducted our audits 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 audits 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 audits, 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 1, 2002.

Village of Kirtland Hills
Lake County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, the Audit Committee and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 1, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
APRIL 18, 2002**