



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Fiduciary Fund Type - For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Fiduciary Fund Type - For the Year Ended December 31, 1998	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

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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 Village of Kirtland Hills, Lake County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards 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 as of December 31, 1999 and December 31, 1998, 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 14, 2000 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.

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.

Jim Petro
Auditor of State

March 14, 2000

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Local Taxes	\$575,527	\$7,606			\$583,133
Intergovernmental Revenues	376,335	88,337	\$4,966		469,638
Charges for Services	25,475				25,475
Fines, Licenses, and Permits	67,348	576			67,924
Earnings on Investments	160,181	12,773			172,954
Miscellaneous Revenue	13,423	19		\$21,390	34,832
Total Cash Receipts	1,218,289	109,311	4,966	21,390	1,353,956
Cash Disbursements:					
Current:					
Security of Persons and Property	611,992	8,471			620,463
Public Health Services	8,021				8,021
Leisure Time Activities	3,000				3,000
Community Environment	878				878
Basic Utility Services	34,588				34,588
Transportation	257,658	194,679			452,337
General Government	219,782	75		21,139	240,996
Capital Outlay	45,920		71,651		117,571
Total Cash Disbursements	1,181,839	203,225	71,651	21,139	1,477,854
Total Receipts Over/(Under) Disbursements	36,450	(93,914)	(66,685)	251	(123,898)
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	3,700				3,700
Transfers-In		200,000			200,000
Transfers-Out	(200,000)				(200,000)
Total Other Financing Receipts/(Disbursements)	(196,300)	200,000	0	0	3,700
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(159,850)	106,086	(66,685)	251	(120,198)
Fund Cash Balances, January 1, 1999	720,310	134,694	2,422,542	64,085	3,341,631
Fund Cash Balances, December 31, 1999	\$560,460	\$240,780	\$2,355,857	\$64,336	\$3,221,433

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Local Taxes	\$557,045	\$7,362			\$564,407
Intergovernmental Revenues	298,504	31,457	\$2,674,229		3,004,190
Charges for Services	22,719				22,719
Fines, Licenses, and Permits	63,781	590			64,371
Earnings on Investments	175,805	6,681			182,486
Miscellaneous Revenue	47,208	66	36,824	\$34,700	118,798
Total Cash Receipts	<u>1,165,062</u>	<u>46,156</u>	<u>2,711,053</u>	<u>34,700</u>	<u>3,956,971</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	556,317	8,099			564,416
Public Health Services	8,595				8,595
Leisure Time Activities	1,813				1,813
Community Environment	11,354				11,354
Basic Utility Services	30,541				30,541
Transportation	205,306	87,032			292,338
General Government	139,070	108		32,821	171,999
Capital Outlay	2,200	2,259	1,067,407		1,071,866
Total Cash Disbursements	<u>955,196</u>	<u>97,498</u>	<u>1,067,407</u>	<u>32,821</u>	<u>2,152,922</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	209,866	(51,342)	1,643,646	1,879	1,804,049
Fund Cash Balances, January 1, 1998	<u>510,444</u>	<u>186,036</u>	<u>778,896</u>	<u>62,206</u>	<u>1,537,582</u>
Fund Cash Balances, December 31, 1998	<u>\$720,310</u>	<u>\$134,694</u>	<u>\$2,422,542</u>	<u>\$64,085</u>	<u>\$3,341,631</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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 and Mayor. The Village provides general governmental services, including road and bridge maintenance and cemetery maintenance. 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

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:

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Capital Projects

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 Project Fund:

Capital Improvement Fund - This fund received intergovernmental revenue. The proceeds are used for major capital outlay of the Village.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency 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.

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.

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.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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 1999 and 1998 budgetary activity appears in Note 3.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

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:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$21,362	\$14,003
Total Deposits	21,362	14,003
U. S. Treasury Notes and Bonds	998,082	1,048,103
STAR Ohio	187,936	279,501
Federal Agency Notes	2,014,053	2,000,024
Total Investments	3,200,071	3,327,628
Total Deposits and Investments	\$3,221,433	\$3,341,631

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,207,591	\$1,221,989	\$14,398
Special Revenue	246,991	309,311	462,320
Capital Projects	0	4,966	4,966
Total	<u>\$1,454,582</u>	<u>\$1,536,266</u>	<u>\$481,684</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,427,974	\$1,381,839	\$46,135
Special Revenue	265,750	203,225	62,525
Capital Projects	81,500	71,651	9,849
Total	<u>\$1,775,224</u>	<u>\$1,656,715</u>	<u>\$118,509</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,100,000	\$1,165,062	\$65,062
Special Revenue	43,629	46,156	2,527
Capital Projects	2,678,044	2,711,053	33,009
Total	<u>\$3,821,673</u>	<u>\$3,922,271</u>	<u>\$100,598</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,031,119	\$955,196	\$75,923
Special Revenue	100,359	97,498	2,861
Capital Projects	1,086,406	1,067,407	18,999
Total	<u>\$2,217,884</u>	<u>\$2,120,101</u>	<u>\$97,783</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX AND ESTATE 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 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.

The Village received \$ 2,674,229 in estate tax in 1998 that is classified as Intergovernmental Revenue.

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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. Members of PFDPF contributed 10% of their wages. The Village contributed an amount equal to 19.5% of participants' wages. Members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Police Liability
- Public Employees Liability

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

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REPORT 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 financial statements of the Village of Kirtland Hills, Lake County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 14, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 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*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated March 14, 2000.

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 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 14, 2000.

This report is intended for the information and use of management 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 14, 2000



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, 2000**