



**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2010 & 2009



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Kirtland Hills, Lake County, prepared by Canter & Associates, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Kirtland Hills is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 12, 2011

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**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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, (the Village) as of and for the years ended December 31, 2010 and 2009. 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 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also reporting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Village to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, 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, Lake County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2011, 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.



Canter & Associates

May 20, 2011

**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, 2010**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Property and Other Local Taxes	\$804,910	\$13,643	\$0	\$0	\$818,553
Intergovernmental	339,643	48,003	0	0	387,646
Charges for Services	7,215	0	0	0	7,215
Fines, Licenses, Permits, and Fees	93,664	8,211	0	8,721	110,596
Earnings on Investments	839,317	341	0	0	839,658
Miscellaneous	18,856	17,870	10,301	0	47,027
	<u>2,103,605</u>	<u>88,068</u>	<u>10,301</u>	<u>8,721</u>	<u>2,210,695</u>
Total Cash Receipts					
	<u>2,103,605</u>	<u>88,068</u>	<u>10,301</u>	<u>8,721</u>	<u>2,210,695</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,214,104	28,265	0	0	1,242,369
Public Health Services	18,741	0	0	0	18,741
Leisure Time Activities	2,664	0	0	0	2,664
Basic Utility Service	59,784	0	0	0	59,784
Transportation	345,203	134,309	0	0	479,512
General Government	243,814	9,753	0	0	253,567
Capital Outlay	0	0	362,452	0	362,452
Debt Service - Principal Retirement	0	5,000	0	0	5,000
	<u>1,884,310</u>	<u>177,327</u>	<u>362,452</u>	<u>0</u>	<u>2,424,089</u>
Total Cash Disbursements					
	<u>1,884,310</u>	<u>177,327</u>	<u>362,452</u>	<u>0</u>	<u>2,424,089</u>
Total Receipts Over/(Under) Disbursements	<u>219,295</u>	<u>(89,259)</u>	<u>(352,151)</u>	<u>8,721</u>	<u>(213,394)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of OPWC Grant	0	0	277,990	0	277,990
Other Financing Sources	0	0	0	0	0
Transfers In	0	80,000	3,733	0	83,733
Transfers Out	(83,733)	0	0	0	(83,733)
Other Financing Uses	0	0	0	(3,500)	(3,500)
	<u>(83,733)</u>	<u>80,000</u>	<u>281,723</u>	<u>(3,500)</u>	<u>274,490</u>
Total Other Financing Receipts/(Disbursements)					
	<u>(83,733)</u>	<u>80,000</u>	<u>281,723</u>	<u>(3,500)</u>	<u>274,490</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	135,562	(9,259)	(70,428)	5,221	61,096
Fund Cash Balances, January 1	1,037,495	427,721	15,273,940	65,410	16,804,566
Fund Cash Balances, December 31	<u><u>\$1,173,057</u></u>	<u><u>\$418,462</u></u>	<u><u>\$15,203,512</u></u>	<u><u>\$70,631</u></u>	<u><u>\$16,865,662</u></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, 2009**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Property and Other Local Taxes	\$842,342	\$14,277	\$0	\$0	\$856,619
Intergovernmental	647,972	47,284	0	0	695,256
Charges for Services	10,467	0	0	0	10,467
Fines, Licenses, Permits, and Fees	86,931	5,994	0	8,152	101,077
Earnings on Investments	769,707	790	0	0	770,497
Miscellaneous	14,536	0	0	0	14,536
Total Cash Receipts	2,371,955	68,345	0	8,152	2,448,452
Cash Disbursements:					
Current:					
Security of Persons and Property	1,233,774	19,267	0	0	1,253,041
Public Health Services	17,576	0	0	0	17,576
Leisure Time Activities	2,548	0	0	0	2,548
Basic Utility Service	62,506	0	0	0	62,506
Transportation	331,105	129,662	0	0	460,767
General Government	238,984	175	0	0	239,159
Capital Outlay	0	0	131,117	0	131,117
Debt Service - Principal Retirement	0	5,000	0	0	5,000
Total Cash Disbursements	1,886,493	154,104	131,117	0	2,171,714
Total Receipts Over/(Under) Disbursements	485,462	(85,759)	(131,117)	8,152	276,738
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	8,100	0	0	0	8,100
Transfers In	0	120,000	315,486	0	435,486
Transfers Out	(435,486)	0	0	0	(435,486)
Other Financing Uses	0	0	0	(6,900)	(6,900)
Total Other Financing Receipts/(Disbursements)	(427,386)	120,000	315,486	(6,900)	1,200
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	58,076	34,241	184,369	1,252	277,938
Fund Cash Balances, January 1	979,419	393,480	15,089,571	64,158	16,526,628
Fund Cash Balances, December 31	\$1,037,495	\$427,721	\$15,273,940	\$65,410	\$16,804,566

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, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Kirtland Hills, Lake County, (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides provides general government services, including maintenance of roads, zoning, and police services. The Village contracts with the City of Kirtland to provide fire protection 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The investments in Star Ohio (the State Treasurer's investment pool) are 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

3. Capital Project Funds

This fund accounts for accounts for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Capital Improvements Fund – This fund receives grants and general fund transfers to fund major capital outlay for the Villages.

4 Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for performance bond deposits which are 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 initial bond deposit.

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, department, 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. Unencumbered appropriations lapse at year end.

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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment 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. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2010	2009
Demand deposits	\$9,010	\$18,501
Total deposits	9,010	18,501
STAR Ohio	21,223	5,272
Vanguard Money Market	8,215,321	8,167,745
Fidelity Money Market	522,378	162,474
U.S. Agency and Treasury Notes	8,097,730	8,450,574
Total investments	16,856,652	16,786,065
Total deposits and investments	\$16,865,662	\$16,804,566

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 Depository Insurance Corporation.

Investments: The financial institution holds the Village's U.S. Agency and Treasury Notes and 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, 2010 and 2009 follows:

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,980,736	\$2,103,605	\$122,869
Special Revenue	76,995	168,068	91,073
Capital Projects	4,465	292,024	287,559
Total	\$2,062,196	\$2,563,697	\$501,501

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,027,145	\$1,968,043	\$59,102
Special Revenue	189,800	177,327	12,473
Capital Projects	140,000	362,452	(222,452)
Total	\$2,356,945	\$2,507,822	(\$150,877)

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,178,040	\$2,380,055	\$202,015
Special Revenue	207,630	188,345	(19,285)
Capital Projects	265,352	315,486	50,134
Total	\$2,651,022	\$2,883,886	\$232,864

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,442,778	\$2,321,979	\$120,799
Special Revenue	212,000	154,104	57,896
Capital Projects	166,000	131,117	34,883
Total	\$2,820,778	\$2,607,200	\$213,578

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF KIRTLAND HILLS
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

4. PROPERTY TAX (Continued)

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

The Ohio Public Works Issue II Loan is related to improvements for Garfield Road. This no interest loan was issued in 2000 in the amount \$50,000 and will be repaid in semi-annual installments of \$2,500 over 10 years. The first payment was due January 1, 2001.

As of December 31, 2010 the Ohio Public Works Issue II Loan was paid in full and no new debt was issued during the audit period.

6. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



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CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
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 (the Village), Lake County, as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated May 20, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Village in a separate letter dated May 20, 2011.

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

Canter & Associates

A handwritten signature in blue ink that reads "Canter & Assoc" with a stylized flourish at the end.

Poland, Ohio

May 20, 2011



Dave Yost • Auditor of State

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
JULY 26, 2011