



Dave Yost • Auditor of State

VILLAGE OF WAITE HILL
LAKE COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

July 29, 2011

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Dave Yost • Auditor of State

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 Village of Waite Hill, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2010 and December 31, 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 presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires 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 Villages 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 December 31, 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 December 31, 2009, or its changes in financial position for the years then ended.

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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 Waite Hill, Lake County, Ohio, as of December 31, 2010 and December 31, 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 July 29, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 29, 2011

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$610,982	\$11,675		\$622,657
Intergovernmental Receipts	483,234	46,863		530,097
Fines, Licenses, and Permits	5,478	35		5,513
Earnings on Investments	605,462			605,462
Miscellaneous	6,468		\$217,670	224,138
Total Cash Receipts	<u>1,711,624</u>	<u>58,573</u>	<u>217,670</u>	<u>1,987,867</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	613,577	75,828		689,405
Public Health Services	16,888			16,888
Community Environment	28,781			28,781
Basic Utility Services	35,145			35,145
Transportation	286,131	69,819		355,950
General Government	217,099	134		217,233
Capital Outlay			1,512,186	1,512,186
Redemption of Principal			2,300,000	2,300,000
Interest			13,570	13,570
Total Cash Disbursements	<u>1,197,621</u>	<u>145,781</u>	<u>3,825,756</u>	<u>5,169,158</u>
Total Receipts Over/(Under) Disbursements	<u>514,003</u>	<u>(87,208)</u>	<u>(3,608,086)</u>	<u>(3,181,291)</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds			2,100,155	2,100,155
Transfers-In	3,175	265,250	176,646	445,071
Transfers-Out	(441,896)	(3,175)		(445,071)
Total Other Financing Receipts/(Disbursements)	<u>(438,721)</u>	<u>262,075</u>	<u>2,276,801</u>	<u>2,100,155</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	75,282	174,867	(1,331,285)	(1,081,136)
Fund Cash Balances, January 1, 2010	<u>817,667</u>	<u>534,194</u>	<u>10,588,191</u>	<u>11,940,052</u>
Fund Cash Balances, December 31, 2010	<u>\$892,949</u>	<u>\$709,061</u>	<u>\$9,256,906</u>	<u>\$10,858,916</u>

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

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$654,503	\$12,506		\$667,009
Intergovernmental Receipts	561,861	36,404	\$3,212	601,477
Fines, Licenses, and Permits	6,287	50		6,337
Earnings on Investments	619,598			619,598
Miscellaneous	24,633		5,000	29,633
Total Cash Receipts	1,866,882	48,960	8,212	1,924,054
Cash Disbursements:				
Current:				
Security of Persons and Property	588,164	73,422		661,586
Public Health Services	15,639			15,639
Community Environment	35,508			35,508
Basic Utility Services	34,229			34,229
Transportation	307,305	33,951		341,256
General Government	322,543	132	3,212	325,887
Capital Outlay			39,905	39,905
Total Cash Disbursements	1,303,388	107,505	43,117	1,454,010
Total Receipts Over/(Under) Disbursements	563,494	(58,545)	(34,905)	470,044
Other Financing Receipts and (Disbursements):				
Sale of Notes			2,300,000	2,300,000
Transfers-In		250,250	249,299	499,549
Transfers-Out	(499,549)			(499,549)
Total Other Financing Receipts/(Disbursements)	(499,549)	250,250	2,549,299	2,300,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	63,945	191,705	2,514,394	2,770,044
Fund Cash Balances, January 1, 2009	753,722	342,489	8,073,797	9,170,008
Fund Cash Balances, December 31, 2009	\$817,667	\$534,194	\$10,588,191	\$11,940,052

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

**VILLAGE OF WAITE HILL
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies

A. 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 and gas. NOPEC is currently comprised of 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 and gas 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 and gas 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 of Directors 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 of Directors. The Village of Waite Hill did not contribute to NOPEC in 2010 or 2009. Financial information can be obtained by contacting NOPEC, 1615 Clarke Avenue, Cleveland, Ohio, 44109.

B. Accounting Basis

These financial statements follow the accounting basis 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.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

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

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 Demand Deposits, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Corporate Bonds, and U.S. Treasury 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 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:

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

Police Pension Fund - This fund receives property tax money and transfers from the general fund for the Village's obligation to the Ohio Police and Fire Pension Fund.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing 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 receives proceeds of intergovernmental revenue. The proceeds are used for Village capital improvements.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

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

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 for all funds, 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. Appropriations lapse at year end.

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 individual commitments are made. The Village reserves (encumbers) appropriations for commitments. 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 2010 and 2009 budgetary activity appears in Note 3.

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. The Village does not grant sick leave since all employees are paid on an annual salary.

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:

**VILLAGE OF WAITE HILL
LAKE COUNTY**

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

2. Equity in Pooled Cash and Investments (Continued)

	2010	2009
Demand deposits	\$304,911	\$2,073,016
Total deposits	304,911	2,073,016
U.S. Treasury Notes	1,539,287	1,088,897
STAR Ohio	8,227	18,218
Federal National Mortgage Association	2,765,997	2,455,417
Federal Farm Credit Bank	2,281,364	994,904
Federal Home Loan Bank	244,932	244,932
Federal Home Loan Mortgage Corporation	2,306,358	1,880,053
Corporate Bonds	1,407,840	3,184,615
Total investments	10,554,005	9,867,036
Total deposits and investments	\$10,858,916	\$11,940,052

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 National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank 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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,442,262	\$1,714,799	\$272,537
Special Revenue	326,354	323,823	(2,531)
Capital Projects	2,500,000	2,494,471	(5,529)
Total	\$4,268,616	\$4,533,093	\$264,477

**VILLAGE OF WAITE HILL
LAKE COUNTY**

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

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,669,550	\$1,639,517	\$30,033
Special Revenue	155,875	148,956	6,919
Capital Projects	4,000,000	3,825,756	174,244
Total	<u>\$5,825,425</u>	<u>\$5,614,229</u>	<u>\$211,196</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,729,250	\$1,866,882	\$137,632
Special Revenue	134,000	299,210	165,210
Capital Projects	2,600,000	2,557,511	(42,489)
Total	<u>\$4,463,250</u>	<u>\$4,723,603</u>	<u>\$260,353</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,869,550	\$1,802,937	\$66,613
Special Revenue	155,875	107,505	48,370
Capital Projects	450,000	43,117	406,883
Total	<u>\$2,475,425</u>	<u>\$1,953,559</u>	<u>\$521,866</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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. These dates can change, if the County grants an extension on collection.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed only against local and inter-exchange telephone companies for 2010 and 2009 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.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

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

5. Retirement Systems

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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 police members' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall Construction Bonds	\$2,100,000	2 to 4.55%

The Village issued bond anticipation notes on December 17, 2009, relating to the remodeling/construction of the Village Hall Municipal building. The notes matured and were paid on December 17, 2010, with an annual interest rate of .59%.

The Village issued general obligation bonds on November 30, 2010 relating to the remodeling/construction of the Village Hall Municipal Building at interest rates ranging from 2 to 4.55%, with a maturity date of December 1, 2031.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31,</u>	<u>GO Bonds</u>
2011	\$ 77,714
2012	86,093
2013	85,993
2014	85,893
2015	175,793
2016-2020	857,262
2021-2025	858,988
2026-2030	859,811
2031	172,507
Total	\$ 3,260,054

7. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Commercial auto, law enforcement and public official's liability; and
- Umbrella liability coverage.



Dave Yost • Auditor of State

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 Village of Waite Hill, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2010 and December 31, 2009, and have issued our report thereon dated July 29, 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 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 29, 2011



Dave Yost • Auditor of State

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 11, 2011