



**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Moreland Hills
Cuyahoga County
4350 SOM Center Road
Moreland Hills, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 1999. 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 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 audit 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 audit provides 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 and reserves for encumbrances of the Village as of December 31, 1999, and its combined cash receipts and disbursements for the year 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, 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
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$3,110,724	\$134,890	\$93,504		\$3,339,118
Intergovernmental	198,186	108,945	12,710	\$471,034	790,875
Special Assessments			137,198	212,393	349,591
Charges for Services	68,566	9,541		11,000	89,107
Fines, Forfeitures, Licenses, & Permits	44,699	44,365			89,064
Rental Income	60,000				60,000
Interest	131,664	301		15,076	147,041
Miscellaneous	110,881	6,138			117,019
Total Cash Receipts	<u>3,724,720</u>	<u>304,180</u>	<u>243,412</u>	<u>709,503</u>	<u>4,981,815</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,043,829	206,539			1,250,368
Public Health Services	10,854				10,854
Community Environment	57,654				57,654
Basic Utility Services	659,308	9,675			668,983
Transportation	123,232	279,593			402,825
General Government	1,304,423				1,304,423
Debt Service:					
Redemption of Principal			105,000		105,000
Interest and Fiscal Charges			119,437		119,437
Capital Outlay				592,018	592,018
Total Cash Disbursements	<u>3,199,300</u>	<u>495,807</u>	<u>224,437</u>	<u>592,018</u>	<u>4,511,562</u>
Total Receipts Over/(Under) Disbursements	<u>525,420</u>	<u>(191,627)</u>	<u>18,975</u>	<u>117,485</u>	<u>470,253</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		830,000		25,000	855,000
Transfers-Out	(830,000)				(830,000)
Total Other Financing Receipts/(Disbursements)	<u>(830,000)</u>	<u>830,000</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(304,580)</u>	<u>638,373</u>	<u>18,975</u>	<u>142,485</u>	<u>495,253</u>
Fund Cash Balances, January 1, 1999	<u>1,302,463</u>	<u>427,887</u>	<u>192,626</u>	<u>578,640</u>	<u>2,501,616</u>
Fund Cash Balances, December 31, 1999	<u>\$997,883</u>	<u>\$1,066,260</u>	<u>\$211,601</u>	<u>\$721,125</u>	<u>\$2,996,869</u>
Reserve for Encumbrances, December 31, 1999	<u>\$98,227</u>	<u>\$59,863</u>	<u>\$0</u>	<u>\$159,950</u>	<u>\$318,040</u>

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
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$235,524		\$235,524
Interest	13,272		13,272
Total Operating Revenues	248,796	\$0	248,796
Operating Cash Disbursements:			
Personal Services	27,484		27,484
Contractual Services	98,010		98,010
Supplies and Materials	71,746		71,746
Capital Outlay	137,973		137,973
Total Operating Expenses	335,213	0	335,213
Operating Income/(Loss)	(86,417)	0	(86,417)
Non-Operating Cash Receipts:			
Non-Operating Cash Receipts		43,104	43,104
Non-Operating Cash Disbursements:			
Non-Operating Cash Disbursements		313,379	313,379
Income Before Interfund Transfers	(86,417)	(270,275)	(356,692)
Transfers-Out	(25,000)		(25,000)
Net Income	(111,417)	(270,275)	(381,692)
Fund Cash Balances, January 1, 1999	251,295	309,701	560,996
Fund Cash Balances, December 31, 1999	\$139,878	\$39,426	\$179,304
Reserve for Encumbrances, December 31, 1999	\$60,176	\$0	\$60,176

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Moreland Hills, Cuyahoga 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, and the Village's Charter dated November 7, 1972. The Village is directed by a publicly-elected six-member Council and Mayor. The Village provides general governmental services, including road maintenance, rubbish collections, sanitary sewer/storm sewer facilities, building inspections, zoning, police protection and safety 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

Demand deposits, certificates of deposits and the sweep account are valued at cost.

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 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, license fees, and road damage fees for constructing, maintaining and repairing Village roads.

Emergency Ambulance Fund - This fund receives property tax and state money to provide ambulance services to the Village residents through a contract with the Village of Chagrin Falls.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bond indebtedness. The Village had the following significant Debt Service Funds:

Special Assessment Bond Retirement Fund - This fund receives assessments from local taxpayers for the retirement of bonds.

General Bond Retirement Fund - This fund receives property tax and state money for the retirement of debt.

4. Capital Projects Funds

These funds are used to account for financial resources for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Fund). The Village had the following significant Capital Projects Funds:

Wastewater Treatment Plant Expansion - This fund receives assessments from local taxpayers, charges for services, and interest income for the expansion project for the Wastewater Treatment Plant.

Property Improvements Additions Fund - This fund receives estate taxes for the construction and improvement of Village facilities.

5. Enterprise Fund

This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis should be financed or recovered primarily through user charges.

Sewer Treatment Systems Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Fund Types (Agency Fund)

This fund is used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Sewer Tap-in/Engineering Fees Fund - This fund holds deposits when a property holder connects to the sewer lines.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 reappropriated.

A summary of 1999 budgetary activity appears in Note 3.

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:

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>1999</u>
Demand deposits	(\$34,827)
Certificates of Deposit	<u>809,000</u>
Total deposits	<u>774,173</u>
Sweep Account	<u>2,402,000</u>
Total investments	<u>2,402,000</u>
Total deposits and investments	<u><u>\$3,176,173</u></u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: The Sweep account is 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 was as follows:

<u>1999 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$3,661,903	\$3,724,720	\$62,817
Special Revenue	1,104,652	1,134,180	29,528
Debt Service	241,262	243,412	2,150
Capital Projects	733,578	734,503	925
Enterprise	<u>247,057</u>	<u>248,796</u>	<u>1,739</u>
Total	<u><u>\$5,988,452</u></u>	<u><u>\$6,085,611</u></u>	<u><u>\$97,159</u></u>

<u>1999 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,832,142	\$4,127,527	\$704,615
Special Revenue	699,698	555,670	144,028
Debt Service	267,822	224,437	43,385
Capital Projects	906,194	751,968	154,226
Enterprise	<u>478,317</u>	<u>420,389</u>	<u>57,928</u>
Total	<u><u>\$7,184,173</u></u>	<u><u>\$6,079,991</u></u>	<u><u>\$1,104,182</u></u>

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

4. COMPLIANCE

The General Bond Retirement Fund had total appropriations in excess of estimated revenue plus carryover balances contrary to Section 5705.39, Revised Code in the amount of \$14,528.

5. 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 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.

6. INCOME TAX

The Village levies an income tax of 1%, without credit, on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. The tax also applies to the net income of businesses operating within the Village.

7. DEBT

Debt outstanding at December 31, 1999 was as follows:

General Obligation Bonds	<u>Principal</u>	<u>Interest Rate</u>
1983 Water Main Construction	\$160,000	9.625%
1989 Street Improvement	385,000	6% - 7.5%
1998 Various Purpose Improvement	<u>1,385,000</u>	4.55% & 5.125%
Total	<u>\$1,930,000</u>	

Outstanding General Obligation bonds are payable from the proceeds of property taxes and special assessments against individual property owners.

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

7. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Water Main Construction	Street Improvement	Various Purpose Improvement	Total
2000	\$55,400	\$53,478	\$108,049	\$216,927
2001	51,550	56,740	111,229	219,519
2002	47,700	54,625	109,181	211,506
2003	43,850	57,375	112,134	213,359
2004		54,750	109,859	164,609
2005 - 2009		283,000	609,254	892,254
2010 - 2014			571,819	571,819
2015 - 2018			452,019	452,019
Total	<u>\$198,500</u>	<u>\$559,968</u>	<u>\$2,183,544</u>	<u>\$2,942,012</u>

8. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters 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 for law enforcement officers and 24% of participants' wages for firefighters. 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.

9. RISK MANAGEMENT

The Village contracted with Love Insurance Agency, Inc. for commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and Omissions

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

10. RENTAL INCOME

The Village has Ground Lease Agreements with Ameritech Wireless Communications, Inc (Ameritech) and SprintCom, Inc. Ameritech and SprintCom are leasing property from the Village for an initial term of five years, with options to extend the lease for five and four additional terms, respectively, of five years each. Ameritech had previously paid the Village rent in advance for the initial term of the lease, including amounts applicable to subleases. In 1999, the Village received \$60,000 from SprintCom for the initial rent due on the Commencement.

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

11. CONTINGENT LIABILITIES

The Village is party to legal proceedings. The Village management is of the opinion that ultimate disposition of these legal proceedings will not have a material effect on the financial condition of the Village.

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OFFICE OF THE AUDITOR**

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

Village of Moreland Hills
Cuyahoga County
4350 SOM Center Road
Moreland Hills, Ohio 44022

To the Village Council:

We have audited the financial statements of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 1999, and have issued our report thereon dated March 14, 2000. We conducted our audit 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 audit 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 certain immaterial instances 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 audit, 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 the management of the Village in a separate letter dated March 14, 2000.

This report is intended for the information and use of management and 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 MORELAND HILLS

CUYAHOGA 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 11, 2000**