



**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY

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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, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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 described 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 of Moreland Hills, Cuyahoga County, Ohio as of December 31, 2000, 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 2, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

March 2, 2001

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**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$2,813,704	\$442,024	\$92,559	\$0	\$3,348,287
Special Assessments	0	0	98,771	233,120	331,891
Intergovernmental Receipts	248,443	170,222	12,719	392,748	824,132
Charges for Services	57,307	10,302	0	44,000	111,609
Fines, Licenses, and Permits	42,444	42,012	0	0	84,456
Rental Income	101,250	0	0	0	101,250
Earnings on Investments	194,702	5,245	0	10,692	210,639
Miscellaneous	111,730	3,580	0	5,695	121,005
<b>Total Cash Receipts</b>	<b>3,569,580</b>	<b>673,385</b>	<b>204,049</b>	<b>686,255</b>	<b>5,133,269</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	910,031	322,652	0	0	1,232,683
Public Health Services	10,561	0	0	0	10,561
Community Environment	53,713	0	0	0	53,713
Basic Utility Services	676,168	22,287	0	0	698,455
Transportation	99,632	455,559	0	0	555,191
General Government	813,993	0	0	0	813,993
Debt Service:					
Principal Payments	0	0	105,000	0	105,000
Interest Payments	0	0	111,926	0	111,926
Financing and Other Debt-Service Related	0	0	1,607	0	1,607
Capital Outlay	0	0	0	596,252	596,252
<b>Total Disbursements</b>	<b>2,564,098</b>	<b>800,498</b>	<b>218,533</b>	<b>596,252</b>	<b>4,179,381</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>1,005,482</b>	<b>(127,113)</b>	<b>(14,484)</b>	<b>90,003</b>	<b>953,888</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Notes	0	0	0	380,000	380,000
Transfers-In	0	80,000	0	395,168	475,168
Advances-In	0	0	0	161,894	161,894
Transfers-Out	(435,168)	(40,000)	0	0	(475,168)
Advances-Out	(161,894)	0	0	0	(161,894)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(597,062)</b>	<b>40,000</b>	<b>0</b>	<b>937,062</b>	<b>380,000</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	408,420	(87,113)	(14,484)	1,027,065	1,333,888
Fund Cash Balances January 1, 2000	997,883	1,066,260	211,601	721,125	2,996,869
<b>Fund Cash Balances, December 31, 2000</b>	<b>\$1,406,303</b>	<b>\$979,147</b>	<b>\$197,117</b>	<b>\$1,748,190</b>	<b>\$4,330,757</b>
Reserves for Encumbrances, December 31, 2000	\$71,010	\$178,230	\$0	\$286,616	\$535,856

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

**VILLAGE OF MORELAND HILLS  
 CUYAHOGA COUNTY  
 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, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$262,880	\$0	\$262,880
Miscellaneous	9,000	0	9,000
	<u>271,880</u>	<u>0</u>	<u>271,880</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	30,651	0	30,651
Contractual Services	49,770	0	49,770
Supplies and Materials	75,936	0	75,936
Capital Outlay	146,040	0	146,040
	<u>302,397</u>	<u>0</u>	<u>302,397</u>
Operating Income/(Loss)	<u>(30,517)</u>	<u>0</u>	<u>(30,517)</u>
<b>Non-Operating Cash Receipts:</b>			
Interest Income	17,749	0	17,749
Other Non-Operating Receipts	0	54,585	54,585
	<u>17,749</u>	<u>54,585</u>	<u>72,334</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	0	35,009	35,009
	<u>0</u>	<u>35,009</u>	<u>35,009</u>
Net Receipts Over/(Under) Disbursements	(12,768)	19,576	6,808
Fund Cash Balances, January 1, 2000	<u>139,878</u>	<u>39,426</u>	<u>179,304</u>
<b>Fund Cash Balances, December 31, 2000</b>	<b><u>\$127,110</u></b>	<b><u>\$59,002</u></b>	<b><u>\$186,112</u></b>
Reserve for Encumbrances, December 31, 2000	<u>\$108,997</u>	<u>\$0</u>	<u>\$108,997</u>

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

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

**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. The Village provides general governmental services, including road maintenance, rubbish collections, sanitary/storm sewer facilities, building inspections, zoning, police services and safety services

The Village contracts with the Village of Chagrin Falls' 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.

**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 and the sweep accounts are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund**

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 Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax, license tax fees and road damage fees for constructing, maintaining and repairing Village streets.

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

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note 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:

Bentlyville North and South Fund - This fund received Ohio Public Works Loans and revenues from other local entities for the Bentlyville Road project.

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. The Village had the following significant Enterprise Fund:

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

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**6. Fiduciary Fund Type (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. The Village had the following significant Agency Fund:

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

**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 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of the 2000 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 cash basis of accounting used by the Village.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**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>2000</u>
Demand deposits	\$ 37,040
Total deposits	<u>37,040</u>
Sweep Account	2,428,000
STAR Ohio	<u>2,051,829</u>
Total investments	<u>4,479,829</u>
Total deposits and investments	<u>\$ 4,516,869</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposits 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. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,239,375	\$ 3,569,580	\$ 330,205
Special Revenue	714,995	753,385	38,390
Debt Service	265,040	204,049	(60,991)
Capital Projects	1,385,294	1,623,317	238,023
Enterprise	<u>285,000</u>	<u>289,629</u>	<u>4,629</u>
Total	<u>\$ 5,889,704</u>	<u>\$ 6,439,960</u>	<u>\$ 550,256</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,848,588	\$ 3,232,170	\$ 616,418
Special Revenue	1,545,703	1,018,728	526,975
Debt Service	221,785	218,533	3,252
Capital Projects	1,760,658	882,868	877,790
Enterprise	<u>484,586</u>	<u>411,394</u>	<u>73,192</u>
Total	<u>\$ 7,861,320</u>	<u>\$ 5,763,693</u>	<u>\$ 2,097,627</u>

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

**5. INCOME TAX**

The Village levies an income tax of 1% 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.

**6. DEBT**

Debt outstanding at December 31, 2000 was as follows:

General Obligation Bonds	<u>Principal</u>	<u>Interest Rate</u>
1983 Water Main Construction	\$ 120,000	9.625%
1989 Street Improvement	360,000	6% - 7.5%
1998 Various Purpose Improvement	<u>1,345,000</u>	4.55% & 5.125%
Total	<u>\$ 1,825,000</u>	

The outstanding general obligation bonds are payable from the proceeds of property taxes and special assessments against individual property owners.

The Village issued Bond Anticipation Notes in the amount of \$380,000 for the repair of village streets.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**6. 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
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		57,125	112,584	169,709
2006 - 2010		225,875	612,926	838,801
2011 - 2015			571,063	571,063
2016 - 2018			336,519	336,519
Total	<u>\$143,100</u>	<u>\$506,490</u>	<u>\$2,075,495</u>	<u>\$2,725,085</u>

**7. 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 to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**8. RISK MANAGEMENT**

The Village has obtained 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.

**9. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



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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, 2000, and have issued our report thereon dated March 2, 2001. 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 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 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 2, 2001.

### 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 management of the Village in a separate letter dated March 2, 2001.

Village of Moreland Hills  
Cuyahoga County  
Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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 2, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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 12, 2001**