



Mary Taylor, CPA
Auditor of State

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	11-12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	18
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Police and Fire Levy Fund	19
Statement of Fiduciary Net Assets – Cash Basis	20
Notes to the Basic Financial Statements	21-36
Schedule of Federal Awards Expenditures	37
Notes to the Schedule of Federal Awards Expenditures	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .	39-40
Independent Accountants' Report on Compliance with Requirements Applicable to its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	41-42
Schedule of Findings	43
Schedule of Prior Audit Findings	44

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Moreland Hills
Cuyahoga County
4350 S.O.M. Center Road
Moreland Hills, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General, and Police and Fire Levy funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Village's basic financial statements. The accompanying schedule of federal awards expenditures is required by U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 15, 2008

Village of Moreland Hills
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of the financial performance of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased by \$787,836 or 8.07 percent, over 2006. This was a combination of an increase in fund balances of the General Fund, Police and Fire Levy Fund, and Waste Water Treatment Plant Expansion Fund.

The Village's general receipts are primarily income and property taxes. These receipts represent respectively 34.0 percent and 20.1 percent of the total cash received for governmental activities during the year. Income Tax receipts remained flat during 2007 due to the state of the general economy, however, Property Tax receipts increased approximately 7% due to an increase in assessed valuation based on the County Auditor's revaluation in 2006.

The Village's bond rating remained at Aa3 by Moody's Investors Service due to its extremely wealthy and stable residential base and healthy financial operations.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Moreland Hills
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we express the Village's activities as the following:

Governmental activities - The Village's services are reported here, including police, fire and streets. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Property Improvement, Waste Water Treatment Plant Expansion, and Police and Fire Levy funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Village of Moreland Hills
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Fiduciary Funds – The fiduciary funds are used to account for resources held for the benefit of parties outside the Village. The fiduciary fund is not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis.

(Table 1)

Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Assets		
Cash and Cash Equivalents	\$10,550,617	\$9,762,781
Total Assets	\$10,550,617	\$9,762,781
Net Assets		
Restricted for:		
Capital Outlay	3,963,913	4,377,024
Debt Service	264,251	304,663
Other Purposes	2,697,558	1,962,704
Unrestricted	3,624,895	3,118,390
Total Net Assets	\$10,550,617	\$9,762,781

As mentioned previously, net assets of governmental activities increased by \$787,836 or 8.07 percent during 2007. The increase was due to an increase in the General Fund balance mostly due to an increase in interest revenue and increases in fund balances of various other funds including the Waste Water Treatment Plant Expansion Fund and Police and Fire Levy fund. This was offset by a decline in the Property Improvement Fund of approximately \$490,000 due to the purchase of approximately 23 acres of land at a cost of \$2.3 million for purposes of conservation of green space in the Village. Of this \$2.3 million, the Village expended \$1.8 million during 2007 and the remaining \$0.5 million was expended during 2006.

Village of Moreland Hills
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 reflects the changes in net assets during 2007 and also provides a comparative analysis of government-wide data.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
	<u>2007</u>	<u>2006</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$179,716	\$152,889
Operating Grants and Special Assessments	310,599	322,830
Capital Grants and Special Assessments	2,052,171	288,046
Total Program Receipts	<u>2,542,486</u>	<u>763,765</u>
General Receipts:		
Property Taxes	1,669,898	1,561,435
Income Taxes	2,822,355	2,823,774
Grants and Entitlements Not Restricted to Specific Programs	536,333	1,324,049
Interest	473,590	348,952
Miscellaneous	255,848	144,477
Total General Receipts	<u>5,758,024</u>	<u>6,202,687</u>
Total Receipts	<u>8,300,510</u>	<u>6,966,452</u>
Disbursements:		
General Government	1,162,111	1,077,331
Security of Persons and Property:	1,658,236	1,524,845
Public Health Services	18,882	17,314
Community Environment	72,774	62,930
Basic Utility Services	1,326,116	1,143,510
Transportation	622,738	675,962
Capital Outlay	2,439,217	674,802
Redemption of Principal	110,000	105,000
Interest and Fiscal Charges	102,600	70,089
Total Disbursements	<u>7,512,674</u>	<u>5,351,783</u>
Increase in Net Assets	787,836	1,614,669
Net Assets, January 1	<u>9,762,781</u>	<u>8,148,112</u>
Net Assets, December 31	<u>\$10,550,617</u>	<u>\$9,762,781</u>

Program receipts represented 31.0 percent of total receipts during 2007 and compared to only 11.0 percent in 2006 primarily due to a \$1.2 million grant award by the Ohio Department of Natural Resources and Ohio Public Works Commission for the purchase of 23 acres of land for the conservation of green space in the Village. Program receipts are primarily comprised of charges for services and special assessments against properties for maintenance and expansion of infrastructure and revenues from restricted intergovernmental receipts such as motor vehicle license and gas tax money and grants.

Village of Moreland Hills
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

General receipts represent 69.0 percent of the Village's total receipts during 2007 compared to 89.0 percent during 2006, and of this amount, over 78.0 percent are local municipal income taxes and property taxes and the balance is comprised of state grants and entitlements. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax collections, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of police and fire protection; Public Health Services are county health department fees; Community Environment Activities are the costs of maintaining the Village community activities; and Transportation is the cost of maintaining the roads and sewers.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The largest program disbursements for governmental activities are for capital outlay, which account for 32.5 percent of all governmental expenses during 2007. General government and security of persons and property also represent significant disbursements, accounting for 15.5 and 22.1 percent of total expenses during 2007, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$1,162,111	(\$1,095,345)	\$1,077,331	(\$1,015,266)
Security of Persons and Property	1,658,236	(1,610,947)	1,524,845	(1,469,026)
Public Health Services	18,882	10,623	17,314	(3,362)
Community Environment	72,774	(72,774)	62,930	(62,930)
Basic Utility Services	1,326,116	(1,075,427)	1,143,510	(905,751)
Transportation	622,738	(605,869)	675,962	(659,149)
Capital Outlay	2,439,217	(387,046)	674,802	(386,756)
Redemption of Principal	110,000	(30,803)	105,000	(15,689)
Interest and Fiscal Charges	102,600	(102,600)	70,089	(70,089)
Total Expenses	\$7,512,674	(\$4,970,188)	\$5,351,783	(\$4,588,018)

The dependence upon property and income tax receipts is apparent as over 59 percent of governmental activities are supported through these general receipts.

Village of Moreland Hills
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Government's Funds

Total governmental funds had receipts of \$8,300,509 and disbursements of \$7,512,674. The largest positive change within governmental funds occurred in the General Fund which increased by \$748,750, primarily due to additional funds received from interest revenue and a decrease in transfers out. The Village has started setting aside funds for future capital improvements to the municipal service garage. The other increases were in the Waste Water Treatment Plant and Police and Fire Levy funds which together totaled \$563,512. The Property Improvement Fund had a decrease in Fund Balance of approximately \$490,000 due to the purchase of 23 acres of land for conservation of green space by the Village.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Village amended its General Fund budget several times to reflect changing circumstances. There was no change between final actual and original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$1,720,585.

Final disbursements were budgeted at \$5,576,609 while actual disbursements were \$5,360,432, which includes year end encumbrances. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in the fund balance of \$507,908 for 2007.

Capital Assets and Debt Administration

Capital Assets

The Village maintains a listing of its capital assets and infrastructure. These records are not required to be presented in the financial statements.

Outstanding Debt

At December 31, 2007, the Village's outstanding debt was \$1,327,179 comprising of Various Purpose and Street improvement bonds along with an Ohio Public Works Commission Loan. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

Current Issues

The Village continues to be among the area's wealthiest suburbs as reflected in high full value per capita and income measures well above the state and national averages. The Village's moderate tax base is expected to grow at historical rates of around 5 percent. The Village continues to strive for ways and means to make optimum utilization of available resources. Over the past few years the Village has joined consortiums and updated its bidding requirements to get the lowest and best process for all contracts issued and purchases made during the year. Based on prudent management and financially conservative budgeting practices, the Village's financial operations are expected to remain healthy.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Prashant Shah, CPA, Treasurer, Village of Moreland Hills, 4350 S.O.M. Center Road, Moreland Hills, Ohio 44022.

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,550,617</u>
<i>Total Assets</i>	<u><u>\$10,550,617</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$3,963,913
Debt Service	264,251
Other Purposes	2,697,558
Unrestricted	<u>3,624,895</u>
<i>Total Net Assets</i>	<u><u>\$10,550,617</u></u>

See accompanying notes to the basic financial statements

This Page is Intentionally Left Blank.

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Property Improvement</u>	<u>Waste Water Treatment Plant Expansion</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,865,740	\$1,412,612	\$2,069,515
<i>Total Assets</i>	<u>\$3,865,740</u>	<u>\$1,412,612</u>	<u>\$2,069,515</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$240,845	\$0	\$56,080
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	3,624,895	0	0
Special Revenue Funds	0	0	0
Debt Service Fund	0	0	0
Capital Projects Funds	0	1,412,612	2,013,435
<i>Total Fund Balances</i>	<u>\$3,865,740</u>	<u>\$1,412,612</u>	<u>\$2,069,515</u>

See accompanying notes to the basic financial statements

<u>Police and Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,464,314	\$1,738,436	\$10,550,617
<u>\$1,464,314</u>	<u>\$1,738,436</u>	<u>\$10,550,617</u>
\$57,870	\$314,640	\$669,435
0	0	3,624,895
1,406,444	677,759	2,084,203
0	264,251	264,251
0	481,786	3,907,833
<u>\$1,464,314</u>	<u>\$1,738,436</u>	<u>\$10,550,617</u>

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007

Total Governmental Fund Balances	<u>\$10,550,617</u>
<i>Net Assets of Governmental Activities</i>	<u>\$10,550,617</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
December 31, 2007

	General	Property Improvement	Waste Water Treatment Plant Expansion	Police and Fire Levy
Receipts				
Municipal Income Taxes	\$2,822,355	\$0	\$0	\$0
Property and Other Local Taxes	850,594	0	0	664,149
Special Assessments	0	0	225,848	0
Charges for Services	66,766	0	0	0
Fines, Licenses and Permits	45,719	0	11,000	0
Intergovernmental	217,173	1,789,416	0	85,747
Interest	369,710	0	89,643	0
Miscellaneous	172,435	83,413	0	0
<i>Total Receipts</i>	<u>4,544,752</u>	<u>1,872,829</u>	<u>326,491</u>	<u>749,896</u>
Disbursements				
Current:				
General Government	1,162,111	0	0	0
Security of Persons and Property	1,134,594	0	0	359,110
Public Health Services	16,657	0	0	0
Community Environment	50,092	0	0	0
Basic Utility Services	987,532	0	0	0
Transportation	94,481	0	0	0
Capital Outlay	0	2,362,529	63,765	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total Disbursements</i>	<u>3,445,467</u>	<u>2,362,529</u>	<u>63,765</u>	<u>359,110</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,099,285</u>	<u>(489,700)</u>	<u>262,726</u>	<u>390,786</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(1,653,535)	0	0	(90,000)
Advances In	1,323,588	0	0	0
Advances Out	(20,588)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(350,535)</u>	<u>0</u>	<u>0</u>	<u>(90,000)</u>
<i>Net Change in Fund Balances</i>	748,750	(489,700)	262,726	300,786
<i>Fund Balances Beginning of Year</i>	<u>3,116,990</u>	<u>1,902,312</u>	<u>1,806,789</u>	<u>1,163,528</u>
<i>Fund Balances End of Year</i>	<u>\$3,865,740</u>	<u>\$1,412,612</u>	<u>\$2,069,515</u>	<u>\$1,464,314</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$0	\$2,822,355
155,155	1,669,898
306,879	532,727
39,236	106,002
32,293	89,012
258,742	2,351,078
14,237	473,590
0	255,848
<u>806,542</u>	<u>8,300,510</u>
0	1,162,111
164,532	1,658,236
2,225	18,882
22,682	72,774
338,584	1,326,116
528,257	622,738
12,923	2,439,217
110,000	110,000
<u>102,600</u>	<u>102,600</u>
<u>1,281,803</u>	<u>7,512,674</u>
<u>(475,261)</u>	<u>787,836</u>
1,743,535	1,743,535
0	(1,743,535)
20,588	1,344,176
<u>(1,323,588)</u>	<u>(1,344,176)</u>
<u>440,535</u>	<u>0</u>
(34,726)	787,836
<u>1,773,162</u>	<u>9,762,781</u>
<u>\$1,738,436</u>	<u>\$10,550,617</u>

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds	<u>\$787,836</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$787,836</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF MORELAND HILLS

CUYAHOGA COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
December 31, 2007*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$2,575,815	\$2,575,815	\$2,822,355	\$246,540
Property and Other Local Taxes	776,292	776,292	850,594	74,302
Charges for Services	60,934	60,934	66,766	5,832
Fines, Licenses and Permits	41,725	41,725	45,719	3,994
Intergovernmental	198,202	198,202	217,173	18,971
Interest	337,415	337,415	369,710	32,295
Miscellaneous	157,372	157,372	172,435	15,063
<i>Total Receipts</i>	<u>4,147,755</u>	<u>4,147,755</u>	<u>4,544,752</u>	<u>396,997</u>
Disbursements				
Current:				
General Government	1,251,986	1,406,686	1,286,542	120,144
Security of Persons and Property	1,179,928	1,204,928	1,157,401	47,527
Public Health Services	14,966	14,966	16,657	(1,691)
Community Environment	42,602	54,242	50,244	3,998
Basic Utility Services	907,065	1,023,277	1,039,057	(15,780)
Transportation	195,551	195,551	136,408	59,143
<i>Total Disbursements</i>	<u>3,592,098</u>	<u>3,899,650</u>	<u>3,686,309</u>	<u>213,341</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>555,657</u>	<u>248,105</u>	<u>858,443</u>	<u>610,338</u>
Other Financing Sources (Uses)				
Transfers Out	(1,646,371)	(1,656,371)	(1,653,535)	2,836
Advances In	0	0	1,323,588	1,323,588
Advances Out	(20,588)	(20,588)	(20,588)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,666,959)</u>	<u>(1,676,959)</u>	<u>(350,535)</u>	<u>1,326,424</u>
<i>Net Change in Fund Balance</i>	<u>(1,111,302)</u>	<u>(1,428,854)</u>	<u>507,908</u>	<u>1,936,762</u>
<i>Fund Balance Beginning of Year</i>	<u>2,831,895</u>	<u>2,831,895</u>	<u>2,831,895</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>285,095</u>	<u>285,095</u>	<u>285,095</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,005,688</u>	<u>\$1,688,136</u>	<u>\$3,624,898</u>	<u>\$1,936,762</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police and Fire Levy Fund
December 31, 2007*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$751,602	\$751,602	\$664,149	(\$87,453)
Intergovernmental	175,000	175,000	85,747	(89,253)
<i>Total receipts</i>	<u>926,602</u>	<u>926,602</u>	<u>749,896</u>	<u>(176,706)</u>
Disbursements				
Current:				
Security of Persons and Property	424,751	424,751	416,980	7,771
<i>Total Disbursements</i>	<u>424,751</u>	<u>424,751</u>	<u>416,980</u>	<u>7,771</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>501,851</u>	<u>501,851</u>	<u>332,916</u>	<u>(168,935)</u>
Other Financing Sources (Uses)				
Transfers Out	(90,000)	(90,000)	(90,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	411,851	411,851	242,916	(168,935)
<i>Fund Balance Beginning of Year</i>	1,117,682	1,117,682	1,117,682	0
Prior Year Encumbrances Appropriated	45,846	45,846	45,846	0
<i>Fund Balance End of Year</i>	<u>\$1,575,379</u>	<u>\$1,575,379</u>	<u>\$1,406,444</u>	<u>(\$168,935)</u>

See accompanying notes to the basic financial statements

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$139,853</u>
<i>Total Assets</i>	<u><u>\$139,853</u></u>
Net Assets	
Unrestricted	<u><u>\$139,853</u></u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The Village of Moreland Hills, Cuyahoga County, Ohio (the Village), is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general governmental services, including road maintenance, police service, sanitary/storm sewer facilities, building inspections, and zoning. The Village contracts with the Village of Chagrin Falls to provide fire protection and ambulance services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. Jointly Governed Organizations

The Village participates in 2 jointly governed organizations. Note 14 to the financial statements provide additional information for these entities.

These organizations are:

Jointly Governed Organizations:

Northeast Ohio Public Energy Council: Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity.

Valley Enforcement Regional Council of Governments: The Village is a member of Valley Enforcement Regional Council of Governments ("VERCOG"), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. The Village has no enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General, Property Improvement, Waste Water Treatment Plant Expansion and Police and Fire Levy Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Property Improvement Fund is used to account for grant and estate tax receipts that are restricted for the acquisition or construction of Village capital projects. The Waste Water Treatment Plant Expansion Fund receives special assessments and permit fees for the repair and construction of the sanitary sewer system. The Police & Fire Levy fund receives real estate tax, homestead & rollback and personal property tax money for police, fire and emergency medical services for the Village. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governmental entities and are therefore not available to support the Village's own programs. The Village has no trust funds. Agency funds are custodial in nature, where the Village deposits and pays cash as directed by another entity or individual. The Village's agency fund accounts for the Guaranteed Deposit (Building) Fund.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, personal services, other operations, capital and non-governmental levels for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

Village records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2007, the Village invested in U.S. Treasury Bills and Notes, an overnight sweep account, and STAR Ohio. The U.S. Treasury Bills and Notes and overnight sweep account are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$369,710 which

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

includes \$196,187 assigned from other Village funds.

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village had no restricted net assets. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 2 – Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Accounting Principles

For 2007, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding a plan. The implementation of this statement did not result in any change to the Village's financial statements.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and the major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$240,845 for the General Fund and \$57,870 for the Police and Fire Levy major special revenue fund.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 5 - Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$208,726 of the Village's bank balance of \$308,726 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2007, the Village had the following investments:

Investment Type	Carrying Value	Maturity
FNMA Note	\$500,000	24 Months
FHLB Notes	1,000,000	16 Months
Repurchase Agreements – Overnight Sweep Account	3,809,000	1 day
STAR Ohio	5,100,563	30 days
Total Portfolio	<u>\$10,409,563</u>	

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Village's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Village's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned Star Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Village's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Village.

Concentration of Risk: The Village places no limit on the amount that may be invested in any one issuer. The Village investments in FNMA, FHLB, Star Ohio and Repurchase Agreements represent 5%, 10%, 36% and 49% respectively.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 6 – Income Taxes

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2007. Collections are made in 2007. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$65.16 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$243,319,860
Tangible Personal Property	357,103
Public Utility Property	1,916,060
Commercial Property	5,536,940
Total Assessed Values	<u>\$251,129,963</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 8 – Interfund Receivables/Payables

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Other Governmental - South Woodland Capital Projects Fund	\$20,588
Total General Fund	<u>\$20,588</u>

The balance due to the General Fund includes loans made to provide working capital for operations or projects. This amount is expected to be repaid within one year.

Note 9 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Village contracted for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Selective Insurance Company	Commercial Property	\$3,366,862
	General Liability	2,000,000
	Commercial Umbrella	5,000,000
	Vehicle	1,000,000
	Employee Benefits	2,000,000
	Public Officials	1,000,000
	Police Professional	1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village's employee health care is provided by Aetna U.S. Healthcare Inc. The Village pays a monthly premium for single and married coverage.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 10 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll. The Village's contribution rate for 2007 was 13.85 percent. For 2007, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$90,800, \$88,832, and \$95,489 respectively. The full amount has been contributed for 2007, 2006 and 2005. The Village made no contributions to the member-directed plan for 2007.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2007, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2007, 2006, and 2005 were \$104,535, \$89,231, and \$81,508. The full amount has been contributed for 2007, 2006 and 2005.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and combined Plans must have 10 or more years of qualified service credit. Health care coverage for disability benefit recipients and qualified survivor benefits recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$56,429, \$43,451 and \$35,103 respectively. The full amount has been contributed for 2007, 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 11 - Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an other postemployment benefit (OPEB) as described in GASB statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent of covered payroll for police employers.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$55,342 for the year ended December 31, 2007, \$61,934 for the year ended December 31, 2006, and \$53,761 for the year ended December 31, 2005. The full amount has been contributed for 2007, 2006, and 2005.

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 12 – Debt

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1998 Issue (Original Amount \$1,425,000)	4.55 and 5.125%	\$1,040,000	\$0	\$65,000	\$975,000	\$100,000
2007 OPWC Loan (Original Amount \$252,179)	1%	252,179	0	0	252,179	11,475
1989 Street Improvement Bonds (Original Amount \$583,000)	6% to 7.50%	145,000	0	45,000	100,000	50,000
Total Governmental Activities		<u>\$1,437,179</u>	<u>\$0</u>	<u>\$110,000</u>	<u>\$1,327,179</u>	<u>\$161,475</u>

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available and the special assessment bonds are against the individual property owners to meet annual principal and interest payments.

The Ohio Public Works Commission (OPWC) loan relates to the Bentleyville Road watermain replacement. The loan will be repaid in semiannual installments of \$6,986, including interest, over 20 years. The loan will be repaid from property tax receipts.

The following is a summary of the Village's future annual debt service requirements:

Year	G.O. Bonds		OPWC Loan		Street Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$100,000	\$49,394	\$11,475	\$2,499	\$50,000	\$7,375
2009	70,000	44,844	11,589	2,383	50,000	3,625
2010	75,000	41,256	11,705	2,267		
2011	75,000	37,412	11,823	2,150		
2012	80,000	33,568	11,942	2,031		
2013–2017	470,000	101,216	61,528	8,338		
2018–2022	105,000	5,380	64,676	5,191		
2023–2027			67,981	1,884		
Totals	<u>\$975,000</u>	<u>\$313,070</u>	<u>\$252,716</u>	<u>\$26,743</u>	<u>\$100,000</u>	<u>\$11,000</u>

Village of Moreland Hills
Notes to the Financial Statements
For the Year Ended December 31, 2007
(continued)

Note 12 – Debt (continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$5,368,646 and an unvoted debt margin of \$2,812,148.

Note 13 – Interfund Transfers

During 2007, the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$1,653,535
Transfers from the Police and Fire Levy Fund to:	
Police Pension fund	<u>90,000</u>
Total Transfers	<u>\$1,743,535</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the Police and Fire Levy Fund to the Police Pension Fund was for police pension payments.

Note 14 – Jointly Governed Organizations

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. NOPEC is currently comprised 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 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 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 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. The Village did not contribute to NOPEC during 2007. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Note 14 – Jointly Governed Organizations (continued)

Valley Enforcement Regional Council of Governments

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes.

Note 15 – Related Party Transactions

The Village contracted with Chagrin Valley Engineering, Ltd. to provide services in connection with the construction of public improvements. The Village Engineer is an employee of Chagrin Valley Engineering, Ltd. During 2007, the Village paid \$117,209 to the Chagrin Valley Engineering, Ltd.

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF COMMERCE</u>			
<i>Passed Through Ohio Department of Commerce:</i>			
Coastal Zone Management Administration	NA04NOS4190123	11.419	<u>\$674,388</u>
Total U.S. Department of Commerce			<u>674,388</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through the Ohio Emergency Management Agency:</i>			
FEMA- 2005 Flood	1519-DR-035-52052	97.036	<u>13,650</u>
Total U.S. Department of Homeland Security			<u>13,650</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Bullet Proof Vest Partnership Program		16.607	<u>3,000</u>
Total U.S. Department of Justice			<u>3,000</u>
Total Federal Assistance			<u><u>\$691,038</u></u>

See accompanying notes to the schedule of federal awards expenditures.

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2007**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE 2 – DISBURSEMENT OF FEDERAL FUNDS

Of the \$674,388 expended for the Coastal Zone Management Administration grant, \$500,000 was expended in 2006. The \$500,000 was deposited in an escrow account in the Village's name in 2006 and withdrawn in 2007 for the purchase of land.

NOTE 3 – LOCAL MATCHING

Certain Federal Programs require the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

CFDA - Catalog of Federal Domestic Assistance

This Page is Intentionally Left Blank.



Mary Taylor, CPA

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 Moreland Hills
Cuyahoga County
4350 S.O.M. Center Road
Moreland Hills, Ohio 44022

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 15, 2008, wherein, we noted the Village uses a Comprehensive Accounting Basis other than generally accepted accounting principles. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the Village's management in a separate letter dated August 15, 2008.

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 did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 15, 2008.

We intend this report solely for the information and use of the audit committee, management, and Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 15, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Moreland Hills
Cuyahoga County
4350 S.O.M. Center Road
Moreland Hills, Ohio 44022

To the Village Council:

Compliance

We have audited the compliance of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Moreland Hills, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that the Village's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 15, 2008

VILLAGE OF MORELAND HILLS
 CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Coastal Zone Management Administration CFDA #11.419
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code Section 5705.39 – Appropriations Exceeding Estimated Resources	Yes	Finding No Longer Valid



Mary Taylor, CPA
Auditor of State

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
OCTOBER 2, 2008**