



**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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 Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Moreland Hills, Cuyahoga County, Ohio, as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

February 21, 2002

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$3,166,925	\$413,297	\$107,675	\$0	\$3,687,897
Special Assessments	0	0	143,823	201,338	345,161
Intergovernmental Receipts	277,316	173,603	14,954	930,840	1,396,713
Charges for Services	51,622	6,057	0	69,455	127,134
Fines, Licenses, and Permits	32,350	27,821	0	0	60,171
Earnings on Investments	156,220	2,443	0	14,927	173,590
Miscellaneous	50,965	50,820	0	0	101,785
Total Cash Receipts	<u>3,735,398</u>	<u>674,041</u>	<u>266,452</u>	<u>1,216,560</u>	<u>5,892,451</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	886,894	345,201	0	0	1,232,095
Public Health Services	6,329	0	0	0	6,329
Community Environment	70,738	0	0	0	70,738
Basic Utility Services	617,808	10,629	0	0	628,437
Transportation	88,278	998,457	0	0	1,086,735
General Government	862,374	0	0	0	862,374
Debt Service:					
Principal Payments	0	0	495,000	0	495,000
Interest Payments	0	0	123,845	0	123,845
Financing and Other Debt-Service Related	0	0	5,255	0	5,255
Capital Outlay	60,498	0	0	529,321	589,819
Total Cash Disbursements	<u>2,592,919</u>	<u>1,354,287</u>	<u>624,100</u>	<u>529,321</u>	<u>5,100,627</u>
Total Receipts Over/(Under) Disbursements	<u>1,142,479</u>	<u>(680,246)</u>	<u>(357,648)</u>	<u>687,239</u>	<u>791,824</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	0	0	380,000	103,000	483,000
Transfers-In	0	570,000	264	183,035	753,299
Advances-In	161,894	0	0	103,122	265,016
Transfers-Out	(475,000)	(95,000)	0	(183,299)	(753,299)
Advances-Out	(103,122)	0	0	(161,894)	(265,016)
Total Other Financing Receipts/(Disbursements)	<u>(416,228)</u>	<u>475,000</u>	<u>380,264</u>	<u>43,964</u>	<u>483,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>726,251</u>	<u>(205,246)</u>	<u>22,616</u>	<u>731,203</u>	<u>1,274,824</u>
Fund Cash Balances, January 1, 2001	<u>1,406,303</u>	<u>979,149</u>	<u>197,117</u>	<u>1,748,190</u>	<u>4,330,759</u>
Fund Cash Balances, December 31, 2001	<u>\$2,132,554</u>	<u>\$773,903</u>	<u>\$219,733</u>	<u>\$2,479,393</u>	<u>\$5,605,583</u>
Reserves for Encumbrances, December 31, 2001	<u>\$31,744</u>	<u>\$172,695</u>	<u>\$0</u>	<u>\$50,962</u>	<u>\$255,401</u>

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

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Special Assessment	\$222,491	\$0	\$222,491
Miscellaneous	15,780	0	15,780
Total Operating Cash Receipts	<u>238,271</u>	<u>0</u>	<u>238,271</u>
Operating Cash Disbursements:			
Personal Services	43,869	0	43,869
Contractual Services	43,859	0	43,859
Supplies and Materials	87,994	0	87,994
Capital Outlay	119,850	0	119,850
Total Operating Cash Disbursements	<u>295,572</u>	<u>0</u>	<u>295,572</u>
Operating Income/(Loss)	<u>(57,301)</u>	<u>0</u>	<u>(57,301)</u>
Non-Operating Cash Receipts:			
Insurance Proceeds	22,118	0	22,118
Other Non-Operating Receipts	3,619	34,283	37,902
Total Non-Operating Cash Receipts	<u>25,737</u>	<u>34,283</u>	<u>60,020</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	26,631	26,631
Total Non-Operating Cash Disbursements	<u>0</u>	<u>26,631</u>	<u>26,631</u>
Net Receipts Over/(Under) Disbursements	(31,564)	7,652	(23,912)
Fund Cash Balances, January 1, 2001	<u>127,110</u>	<u>59,002</u>	<u>186,112</u>
Fund Cash Balances, December 31, 2001	<u>\$95,546</u>	<u>\$66,654</u>	<u>\$162,200</u>
Reserve for Encumbrances, December 31, 2001	<u>\$56,742</u>	<u>\$0</u>	<u>\$56,742</u>

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

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Moreland Hills, Cuyahoga County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and the Village Charter dated November 7, 1972. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including road maintenance, rubbish collections, sanitary/storm sewer facilities, building inspections, zoning, police services and safety services.

The Village contracts with the Village of Chagrin Falls for fire protection and ambulance services.

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

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"), a jointly governed organization. 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 of 92 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 of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC in 2001. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio, 44095.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

Investments are included in fund cash balances. 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 disbursements, respectively.

The Sweep Account and U.S. Government Securities are valued at cost. The investment in STAROhio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

3. Debt Service Funds

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

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

General Bond Retirement Fund - This fund receives property tax, state money, and note proceeds for the retirement of Debt.

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Projects Funds:

Bentleyville North and South Fund - This fund received Ohio Public Works Grants and transfers for the Bentleyville Road project.

Chagrin Culvert Fund - This fund received transfers and advances for street improvements.

S.O.M. Center and Hemlock Road Fund - This fund received an Ohio Department of Transportation State Grant and advances for road improvements.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Sewer Treatment Systems Fund - This fund receives special assessment money to cover the cost of providing this utility.

6. Fiduciary Fund Type (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Guaranteed Deposit Fund - This fund holds deposits for construction projects and engineering inspections.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level for the General Fund and the fund level for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of the 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2001, was as follows:

Demand deposits	\$ <u>7,897</u>
Total deposits	<u>7,897</u>
Sweep Account - Repurchase Agreement	1,369,000
STAR Ohio	2,890,886
U.S. Government Securities	<u>1,500,000</u>
Total investments	<u>5,759,886</u>
Total deposits and investments	<u><u>\$5,767,783</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: The Sweep Account and U.S. Government Securities are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,578,413	\$3,897,292	\$318,879
Special Revenue	1,457,041	1,244,044	(212,997)
Debt Service	602,540	646,716	44,176
Capital Projects	835,000	1,605,716	770,716
Enterprise	260,000	264,009	4,009
Fiduciary	2,000	34,283	32,283
Total	\$6,734,994	\$7,692,060	\$957,066

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,516,465	\$3,202,785	\$313,680
Special Revenue	1,719,283	1,621,982	97,301
Debt Service	634,399	624,100	10,299
Capital Projects	1,302,618	925,476	377,142
Enterprise	386,643	352,314	34,329
Fiduciary	38,568	26,631	11,937
Total	\$7,597,976	\$6,753,288	\$844,688

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's tax collection agent, the Regional Income Tax Agency, monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
1983 Water Main Construction Bonds	\$80,000	9.625%
1989 Street Improvement Bonds	330,000	6-7.5%
1998 Various Purpose Improvement Bonds	1,300,000	4.55 and 5.125%
2001 RT 91/Miles Notes	483,000	3.150%
Total	\$2,193,000	

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

The Village issued Bond Anticipation Notes in the amount of \$483,000 for the repair of village streets.

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

6. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Water Main Construction</u>	<u>Street Improvement</u>	<u>Various Purpose Improvement</u>	<u>Total</u>
2002	\$47,700	\$54,625	\$109,181	\$211,506
2003	43,850	57,375	112,134	213,359
2004	0	54,750	109,859	164,609
2005	0	57,125	112,584	169,709
2006	0	59,125	115,082	174,207
2007 - 2011	0	166,750	610,258	777,008
2012 - 2016	0	0	574,281	574,281
2017 - 2021	0	0	220,887	220,887
Total	<u>\$91,550</u>	<u>\$449,750</u>	<u>\$1,964,266</u>	<u>\$2,505,566</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

9. ENGINEERING SERVICES

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 2001, the Village paid \$210,278 to Chagrin Valley Engineering, Ltd.



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OFFICE OF THE AUDITOR

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 21, 2002.

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

Jim Petro
Auditor of State

February 21, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF MORELAND HILLS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2002**