



Dave Yost • Auditor of State



VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY

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CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

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 years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 of the financial statements for the years ended December 31, 2012 and 2011 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2012 and 2011, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Police and Fire Levy funds thereof for the years then ended in accordance with the accounting basis described in Note 2 of the financial statements for the years ended December 31, 2012 and 2011.

**Accounting Basis**

We draw attention to Note 2 of the financial statements for the years ended December 31, 2012 and 2011, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements for the year ended December 31, 2011, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding these matters.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 24, 2013

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**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

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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, 2012, 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 2012 are as follows:

The net position of governmental activities decreased by \$1.3 million or 16 percent compared to 2011. This was primarily due to a decrease in fund balances of approximately \$0.6 million in the General Fund and \$0.4 million in the JQW Improvement Fund.

The Village's general receipts are primarily income and property taxes. These receipts represent 48 percent and 26 percent, respectively, of the total cash received for governmental activities during the year. Income tax receipts decreased by 6 percent compared to 2011 due to the state of the general economy. Also, property tax receipts decreased by 2.5 percent due to a countywide decline in assessed valuation based on the County Auditor's revaluation.

Some major capital improvements were completed or nearing completion during 2012. The Village also funded for additional property acquisitions for purposes of conservation and preserving green space in the community.

**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 position 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 basic 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 a 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, 2012  
Unaudited

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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 Village as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net position 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 position 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 Village'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 non-major 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 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.

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

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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 Village as a Whole**

Table 1 provides a summary of the Village's net position for 2012 compared to 2011 on a cash basis.

(Table 1)  
**Net Position**

	Governmental Activities 2012	Governmental Activities 2011
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$7,121,040	\$8,469,029
Total Assets	\$7,121,040	\$8,469,029
<b>Net Position</b>		
Restricted for:		
Capital Outlay	772,971	1,529,786
Debt Service	498,676	554,423
Other Purposes	580,469	476,288
Unrestricted	5,268,924	5,908,532
Total Net Position	\$7,121,040	\$8,469,029

As mentioned previously, the net position of governmental activities decreased by \$1.3 million or 16 percent during 2012. The General Fund showed a reduction of approximately \$0.6 million primarily due to the annual transfer to the Police and Fire Levy Fund to supplement the shortfall from the Police and Fire Levy used to fund the operations of the Police Department including Fire and EMS services provided by the Village of Chagrin Falls. Additional transfers were made to the Property Improvement Fund for property acquisition for preservation of green space in the Village. Annual transfers to the Street Construction and Maintenance Fund also contributed to the reduction in the fund balance. The Waste Water Treatment Plant Expansion Fund also declined by \$0.2 million due to the additional infrastructure improvements to the treatment plants and pump station. Additionally, there was a decrease of \$0.7 million in the JQW Fund as the project to convert the treatment plants to a pump station with the intent of reduction operational and maintenance costs neared completion. The other governmental funds remained steady and did not experience any increase or decrease in fund balances.

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
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Table 2 reflects the changes in net position during 2012 and also provides a comparative analysis of government-wide data.

(Table 2)  
**Changes in Net Position**

	Governmental Activities 2012	Governmental Activities 2011
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$223,536	\$198,727
Operating Grants and Contributions	245,469	288,361
Capital Grants and Contributions	269,577	235,516
Total Program Receipts	<u>738,582</u>	<u>722,604</u>
General Receipts:		
Property Taxes	1,555,720	1,595,939
Income Taxes	2,892,842	3,068,697
Grants and Entitlements Not Restricted to Specific Programs	611,834	1,185,560
Sale of Assets	12,556	0
Sale of Bonds	0	774,549
Interest	22,058	24,507
Miscellaneous	170,739	668,454
Total General Receipts	<u>5,265,749</u>	<u>7,317,706</u>
Total Receipts	<u>6,004,331</u>	<u>8,040,310</u>
Disbursements:		
Security of Persons and Property	1,915,339	1,846,027
Public Health Services	19,036	17,529
Community Environment	84,885	76,189
Basic Utility Services	1,323,665	1,456,793
Transportation	552,266	834,791
General Government	1,717,064	1,711,112
Capital Outlay	1,580,723	1,429,006
Principal Retirement	143,035	867,916
Interest and Fiscal Charges	16,307	27,518
Total Disbursements	<u>7,352,320</u>	<u>8,266,881</u>
Decrease in Net Position	(1,347,989)	(226,571)
Net Position, January 1	8,469,029	8,695,600
Net Position, December 31	<u>\$7,121,040</u>	<u>\$8,469,029</u>

Program receipts represented 12 percent of total receipts during 2012 compared to 9 percent in 2011. Program receipts remained relatively stable, however, during 2012, the General Receipts had decreased by \$2.1 million due, in part, to a one-time grant of \$0.6 million from City of Cleveland for various waterline improvements and the issuance of \$0.8 million of refunding bonds to save on interest expenses. 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**  
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General receipts represent 88 percent of the Village's total receipts during 2012 compared to 91 percent during 2011, and of the 2012 amount, over 55 percent are local municipal income taxes and 30 percent 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, 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**

The Statement of Activities on page 12 lists the major services provided by the Village in the first column. The next column identifies the costs of providing these services. The largest program disbursements for governmental activities are for security of persons and property, which account for 26 percent of all governmental expenses during 2012. General government and basic utility services also represent significant disbursements accounting for 23 percent and 18 percent of total expenses 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 Position column compare 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 2012	Net Cost of Services 2012	Total Cost Of Services 2011	Net Cost of Services 2011
Security of Persons and Property	\$1,915,339	(\$1,824,044)	\$1,846,027	(\$1,775,888)
Public Health Services	19,036	(8,036)	17,529	(5,131)
Community Environment	84,885	(84,885)	76,189	(76,189)
Basic Utility Services	1,323,665	(1,076,571)	1,456,793	(1,218,482)
Transportation	552,266	(540,627)	834,791	(819,387)
General Government	1,717,064	(1,617,189)	1,711,112	(1,573,717)
Capital Outlay	1,580,723	(1,311,146)	1,429,006	(1,193,490)
Redemption of Principal	143,035	(134,933)	867,916	(854,475)
Interest and Fiscal Charges	16,307	(16,307)	27,518	(27,518)
<b>Total Expenses</b>	<b>\$7,352,320</b>	<b>(\$6,613,738)</b>	<b>\$8,266,881</b>	<b>(\$7,544,277)</b>

The dependence upon property and income tax receipts is apparent as over 70 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, 2012  
Unaudited

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**The Village's Funds**

Total governmental funds had receipts of \$6,004,331 and disbursements of \$7,352,320, not including transfers and advances. The largest change within governmental funds occurred in the General Fund due to additional transfers made to the Police and Fire Levy Fund for operations and to the Property Improvement Fund for property acquisition and also in the JQW Fund due to completion of the Pump Station Project.

**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 2012, 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 \$419,192. Final disbursements, excluding transfers, were budgeted at \$3,949,091 while actual disbursements were \$3,685,908 which includes yearend encumbrances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**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, 2012, the Village's outstanding debt was \$820,816 comprising of Various Purpose and Street improvement bonds along with Ohio Public Works Commission Loans. For further information regarding the Village's debt, refer to Note 11 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 2 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 Village'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 Position - Cash Basis*  
*December 31, 2012*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,121,040
<i>Total Assets</i>	\$7,121,040
 <b>Net Position</b>	
Restricted for:	
Capital Projects	\$772,971
Debt Service	498,676
Other Purposes	580,469
Unrestricted	5,268,924
<i>Total Net Position</i>	\$7,121,040

See accompanying notes to the basic financial statements

**Village of Moreland Hills**  
*Cuyahoga County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2012*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Security of Persons and Property	\$1,915,339	\$91,295	\$0	\$0	(\$1,824,044)
Public Health Services	19,036	11,000	0	0	(8,036)
Community Environment	84,885	0	0	0	(84,885)
Basic Utility Services	1,323,665	9,727	237,367	0	(1,076,571)
Transportation	552,266	11,639	0	0	(540,627)
General Government	1,717,064	99,875	0	0	(1,617,189)
Capital Outlay	1,580,723	0	0	269,577	(1,311,146)
Debt Service:					
Principal Retirement	143,035	0	8,102	0	(134,933)
Interest and Fiscal Charges	16,307	0	0	0	(16,307)
<i>Total Governmental Activities</i>	<u>\$7,352,320</u>	<u>\$223,536</u>	<u>\$245,469</u>	<u>\$269,577</u>	<u>(6,613,738)</u>
		General Receipts:			
		Property Taxes Levied for:			
					1,474,931
					80,789
					2,892,842
					611,834
					12,556
					22,058
					<u>170,739</u>
					<u>5,265,749</u>
					(1,347,989)
					<u>8,469,029</u>
					<u>\$7,121,040</u>

See accompanying notes to the basic financial statements



**Village of Moreland Hills**  
*Cuyahoga County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2012*

	General	Police & Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,268,924	\$110,909	\$1,741,207	\$7,121,040
<i>Total Assets</i>	<u>\$5,268,924</u>	<u>\$110,909</u>	<u>\$1,741,207</u>	<u>\$7,121,040</u>
<b>Fund Balances</b>				
Restricted	\$0	\$110,909	\$1,437,176	\$1,548,085
Committed	0	0	304,031	304,031
Unassigned (Deficit)	5,268,924	0	0	5,268,924
<i>Total Fund Balances</i>	<u>\$5,268,924</u>	<u>\$110,909</u>	<u>\$1,741,207</u>	<u>\$7,121,040</u>

See accompanying notes to the basic financial statements

**Village of Moreland Hills**  
*Cuyahoga County*  
*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Police & Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Municipal Income Taxes	\$2,892,842	\$0	\$0	\$2,892,842
Property and Other Local Taxes	808,422	605,917	141,381	1,555,720
Intergovernmental	333,452	88,028	222,728	644,208
Special Assessments	0	0	482,672	482,672
Charges for Services	11,875	0	9,727	21,602
Fines, Licenses and Permits	179,295	0	22,811	202,106
Earnings on Investments	21,386	0	672	22,058
Miscellaneous	170,567	0	0	170,567
<i>Total Receipts</i>	<u>4,417,839</u>	<u>693,945</u>	<u>879,991</u>	<u>5,991,775</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	0	1,720,104	195,235	1,915,339
Public Health Services	19,036	0	0	19,036
Community Environment	79,533	0	17,519	97,052
Basic Utility Services	904,629	0	419,036	1,323,665
Transportation	128,132	0	424,134	552,266
General Government	1,696,673	0	8,224	1,704,897
Capital Outlay	0	71,787	1,508,936	1,580,723
Debt Service:				
Principal Retirement	0	0	143,035	143,035
Interest and Fiscal Charges	0	0	16,307	16,307
<i>Total Disbursements</i>	<u>2,828,003</u>	<u>1,791,891</u>	<u>2,732,426</u>	<u>7,352,320</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,589,836</u>	<u>(1,097,946)</u>	<u>(1,852,435)</u>	<u>(1,360,545)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	12,556	0	0	12,556
Transfers In	0	1,195,000	1,036,047	2,231,047
Transfers Out	(2,213,000)	0	(18,047)	(2,231,047)
Advances In	0	0	29,000	29,000
Advances Out	(29,000)	0	0	(29,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,229,444)</u>	<u>1,195,000</u>	<u>1,047,000</u>	<u>12,556</u>
<i>Net Change in Fund Balances</i>	(639,608)	97,054	(805,435)	(1,347,989)
<i>Fund Balances Beginning of Year</i>	<u>5,908,532</u>	<u>13,855</u>	<u>2,546,642</u>	<u>8,469,029</u>
<i>Fund Balances End of Year</i>	<u>\$5,268,924</u>	<u>\$110,909</u>	<u>\$1,741,207</u>	<u>\$7,121,040</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*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$3,167,333	\$3,167,333	\$2,892,842	(\$274,491)
Property and Other Local Taxes	885,130	885,130	808,422	(76,708)
Intergovernmental	365,092	365,092	333,452	(31,640)
Charges for Services	13,002	13,002	11,875	(1,127)
Fines, Licenses and Permits	196,308	196,308	179,295	(17,013)
Earnings on Investments	23,415	23,415	21,386	(2,029)
Miscellaneous	186,751	186,751	170,567	(16,184)
<i>Total Receipts</i>	4,837,031	4,837,031	4,417,839	(419,192)
<b>Disbursements</b>				
Current:				
Public Health Services	17,529	19,529	19,036	493
Community Environment	75,725	80,725	80,141	584
Basic Utility Services	1,058,955	1,009,855	944,341	65,514
Transportation	274,017	274,017	230,192	43,825
General Government	2,220,944	2,564,965	2,412,198	152,767
<i>Total Disbursements</i>	3,647,170	3,949,091	3,685,908	263,183
<i>Excess of Receipts Over (Under) Disbursements</i>	1,189,861	887,940	731,931	(156,009)
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	13,747	13,747	12,556	(1,191)
Transfers Out	(1,915,000)	(2,115,000)	(2,213,000)	(98,000)
Advances Out	0	(150,000)	(29,000)	121,000
<i>Total Other Financing Sources (Uses)</i>	(1,901,253)	(2,251,253)	(2,229,444)	21,809
<i>Net Change in Fund Balance</i>	(711,392)	(1,363,313)	(1,497,513)	(134,200)
<i>Unencumbered Fund Balance Beginning of Year</i>	5,223,379	5,223,379	5,223,379	0
Prior Year Encumbrances Appropriated	685,153	685,153	685,153	0
<i>Unencumbered Fund Balance End of Year</i>	\$5,197,140	\$4,545,219	\$4,411,019	(\$134,200)

See accompanying notes to the basic financial statements

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Police & Fire Levy Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$798,454	\$798,454	\$605,917	(\$192,537)
Intergovernmental	116,000	116,000	88,028	(27,972)
<i>Total Receipts</i>	<u>914,454</u>	<u>914,454</u>	<u>693,945</u>	<u>(220,509)</u>
<b>Disbursements</b>				
Security of Persons and Property	1,749,041	1,749,041	1,736,233	12,808
Capital Outlay	25,000	79,000	76,569	2,431
<i>Total Disbursements</i>	<u>1,774,041</u>	<u>1,828,041</u>	<u>1,812,802</u>	<u>15,239</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(859,587)</u>	<u>(913,587)</u>	<u>(1,118,857)</u>	<u>(205,270)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,574,725	1,574,725	1,195,000	(379,725)
<i>Total Other Financing Sources (Uses)</i>	<u>1,574,725</u>	<u>1,574,725</u>	<u>1,195,000</u>	<u>(379,725)</u>
<i>Net Change in Fund Balance</i>	715,138	661,138	76,143	(584,995)
<i>Unencumbered Fund Balance Beginning of Year</i>	8,434	8,434	8,434	0
Prior Year Encumbrances Appropriated	5,421	5,421	5,421	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$728,993</u>	<u>\$674,993</u>	<u>\$89,998</u>	<u>(\$584,995)</u>

See accompanying notes to the basic financial statements

**Village of Moreland Hills**  
*Cuyahoga County*  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2012*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$92,072</u>
<i>Total Assets</i>	<u><u>\$92,072</u></u>
<b>Net Position</b>	
Held in Trust for Deposits and Unclaimed Funds:	
Nonexpendable	<u>\$92,072</u>
<i>Total Net Position</i>	<u><u>\$92,072</u></u>

See accompanying notes to the basic financial statements

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**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 1 - Reporting Entity**

The Village of Moreland Hills (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.

***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.

***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.

***Jointly Governed Organizations***

The Village participates in three jointly governed organizations. Note 15 to the basic financial statements provide additional information for these entities.

These organizations are:

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 and natural gas.

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.

Chagrin Valley Dispatch Council: The Village is a member of the Chagrin Valley Dispatch Council (CVDC), a joint legislative body that oversees police, fire, and emergency dispatch services. CVDC gives each participating community a voice in how the dispatch services are operated.

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

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2, 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. Following are the more significant of the Village's accounting policies.

***Basis of Presentation***

The Village's basic financial statements consist of government-wide financial statements, including a statement of net positions 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 positions 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 non-exchange transactions.

The statement of net position 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 for 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.



**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Accounting***

The Village uses funds 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. The funds of the Village are presented in two categories: governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds: The General Fund and the Police and Fire Levy Fund. 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 Police and Fire Levy Fund receives real estate tax, homestead and 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 or committed to a particular purpose.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net positions and changes in net positions. 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 governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds accounts for the Guaranteed Deposits (building) Fund and the Unclaimed Fund.

***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 expenses and liabilities) are not recorded in these financial statements.

***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 Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Treasurer. 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 certificated of estimated resources in effect at the time final appropriations were passed by 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 Village Council during the year.

***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 2012, the Village invested in Federal Government Agencies, Dollar Bank Money Market, Star Plus and STAROhio. All Village investments are reported at cost.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2012.

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 2012 was \$21,386. Interest was also allocated to the Streets, Construction, Maintenance and Repair Fund, the Motor Vehicle Licenses Fund, and the State Highway Improvement Fund in the amounts of \$119, \$402, and \$151, respectively, during 2012.

***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.

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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.

***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.

***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.

***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.

***Employer Contributions to Cost-Sharing Pension Plans***

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-Term Obligations***

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when 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.

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for construction and security. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Interfund Transactions***

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 – 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), and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$857,905 for the General Fund and \$20,911 for the Police and Fire Levy major Special Revenue Fund.

**Note 4 – 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;

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**Note 4 – Deposits and Investments (Continued)**

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; and
7. The State Treasurer's investment pool (STAR Ohio).

***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, none of the Village's bank balance of \$1,953,580 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, 2012, the Village had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Dollar Bank Money Market	\$3,775,460	30 days
Star Plus	500,397	30 days
STAROhio	<u>1,056,733</u>	30 days
Total Portfolio	<u><u>\$5,332,590</u></u>	

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 4 – Deposits and Investments (Continued)**

**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk** STAROhio carries a rating of AAAM by Standard and Poor’s. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**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 investments or collateral securities that are in the possession of an outside party. The repurchase agreement, federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Village’s name.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**Concentration of Credit Risk** The Village places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2012:

Investment Issuer	Percentage of Investments
Dollar Bank Money Market	71.00 %
Star Plus	9.00
STAROhio	20.00

**Note 5 – 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.

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes. 2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2012 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$66.77 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$229,882,710
Other Real Estate	6,279,250
Public Utility Personal Property	<u>1,822,420</u>
 Total	 <u><u>\$237,984,380</u></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.

**Note 7 – Interfund Receivables/Payables**

There were no interfund balances outstanding as of December 31, 2012.

**Note 8 - 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 2012, the Village contracted with several companies for various types of insurance as follows:

Type of Coverage	Coverage	Deductible
Selective Insurance Company		
Blanket Property and Contents, Replacement	\$8,075,852	\$1,000
General Liability	2,000,000	1,000
Automobile Liability	1,000,000	250
Public Officials Liability	1,000,000	5,000
Police Professional Liability	1,000,000	2,500
Employee Benefits	1,000,000	0
Umbrella Excess Liability	10,000,000	0



**Village of Moreland Hills, Ohio**  
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**Note 8 - Risk Management (Continued)**

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 Medical Mutual of Ohio. The Village pays a monthly premium for single and married coverage.

**Note 9 – 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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans.

The Village's 2012 contribution rate was 14 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

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**Note 9 – Defined Benefit Pension Plans (Continued)**

The Village's required contributions for pension obligations to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$107,498, \$133,851 and \$97,630, respectively. The full amount has been contributed for 2012, 2011 and 2010.

**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 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers. The Village's contributions to OP&F for the years ended December 31, 2012, 2011 and 2010 were \$127,654, \$123,617 and \$115,181, respectively. The full amount has been contributed for 2012, 2011 and 2010.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, 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 qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care 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 health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Village of Moreland Hills, Ohio**  
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**Note 10 - Postemployment Benefits (Continued)**

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012.

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. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$42,999, \$53,541 and \$55,803 respectively. The full amount has been contributed for 2012, 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 10, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 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 health care 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.

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**Note 10 - Postemployment Benefits (Continued)**

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code 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. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care 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 post-employment health care benefits for police for the years ended December 31, 2012, 2011 and 2010 were \$67,581, \$65,444 and \$60,978, respectively. The full amount has been contributed for 2012, 2011 and 2010.

C. Social Security

Some Council members have elected to contribute to Social Security. The contribution rate for 2012 was 6.2%.

**Note 11 – Debt**

The Village's long-term debt activity for the year ended December 31, 2012 was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Debt Outstanding 1/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Principal 12/31/2012</u>	<u>Due Within One Year</u>
2011 Various Purpose Refunding Bonds (Original Amount: \$765,000)	1.75%	\$645,000	\$0	\$125,000	\$520,000	\$125,000
2007 OPWC Loan (Original Amount: \$252,719)	1%	206,127	0	11,942	194,185	12,062
2009 OPWC Loan (Original Amount: \$121,865)	0%	112,724	0	6,093	106,631	6,093
<b>Total Governmental Activities</b>		<u>\$963,851</u>	<u>\$0</u>	<u>\$143,035</u>	<u>\$820,816</u>	<u>\$143,155</u>

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**Note 11 – Debt (Continued)**

The various purpose 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 Village currently has two loans through the Ohio Public Works Commission (OPWC). The first loan from 2007 relates to the Bentleyville Road water main replacement. The loan will be repaid in semiannual installments, including interest, over 20 years. The loan will be repaid from property tax receipts. The 2009 OPWC Loan relates to the Chagrin Boulevard Slope Stabilization. This loan will also be repaid in semiannual installments over 20 years. The 2009 OPWC Loan is free of interest.

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

Year	Refunding Bonds		2007 OPWC Loan		2009 OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$125,000	\$12,087	\$12,062	\$1,912	\$6,093	\$0
2014	125,000	9,900	12,182	1,791	6,093	0
2015	135,000	7,087	12,304	1,669	6,093	0
2016	135,000	3,713	12,428	1,545	6,093	0
2017	0	0	12,552	1,421	6,093	0
2018-2022	0	0	64,674	5,191	30,466	0
2023-2027	0	0	67,983	1,883	30,466	0
2028-2032	0	0	0	0	15,234	0
Totals	<u>\$520,000</u>	<u>\$32,787</u>	<u>\$194,185</u>	<u>\$15,412</u>	<u>\$106,631</u>	<u>\$0</u>

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, 2012 were an overall debt margin of \$24,967,036 and an unvoted debt margin of \$13,067,817.

**Note 12 - Interfund Transfers**

During 2012, the following transfers were made:

Transfers To	Transfers From		Total
	General	Other Governmental Funds	
Police & Fire Levy Fund	\$1,195,000	\$0	\$1,195,000
Other Governmental Funds	1,018,000	18,047	1,036,047
Total	<u>\$2,213,000</u>	<u>\$18,047</u>	<u>\$2,231,047</u>

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**Note 12 - Interfund Transfers (Continued)**

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 general fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements.

**Note 13 – Construction and Contractual Commitments**

The Village is currently involved in a major restructure of its sewage treatment plants.

**Note 14 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Police & Fire Levy Fund	Other Governmental Funds	Total
<b>Restricted for</b>				
Road Improvements	\$0	\$0	\$246,952	\$246,952
Police Operations	0	110,909	0	110,909
Drug and Alcohol Ed & Enforce.	0	0	240	240
Police Pension	0	0	2,801	2,801
Community Diversion Program	0	0	10,911	10,911
Law Enforcement Trust	0	0	8,318	8,318
R U OK Fund	0	0	1,000	1,000
ARRA Fund	0	0	17,924	17,924
POC Grant Fund	0	0	45,423	45,423
Debt Service	0	0	498,676	498,676
Sewage Treatment System	0	0	122,127	122,127
WWTP Expansion	0	0	482,804	482,804
<i>Total Restricted</i>	<u>0</u>	<u>110,909</u>	<u>1,437,176</u>	<u>1,548,085</u>
<b>Committed to</b>				
Emergency Ambulance	0	0	3,807	3,807
Water Maintenance and Repair	0	0	10,057	10,057
Property Imp and Additions	0	0	187,216	187,216
Other Capital Projects	0	0	102,951	102,951
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>304,031</u>	<u>304,031</u>
Unassigned (deficits):	<u>5,268,924</u>	<u>0</u>	<u>0</u>	<u>5,268,924</u>
<i>Total Fund Balances</i>	<u>\$5,268,924</u>	<u>\$110,909</u>	<u>\$1,741,207</u>	<u>\$7,121,040</u>

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**Note 15 – 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 2012. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**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. During 2012 the Village paid \$7,000 to VERCOG. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

**Chagrin Valley Dispatch Council**

The Village is a member of the Chagrin Valley Dispatch Council (“CVD”). CVD is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (“RCC”). Participation in CVD is initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of eight communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept an raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2012, the Village contributed \$108,371 to the CVD. Financial information can be obtained by contacting the Village of Chagrin Falls, 21 West Washington Street, Chagrin Falls, Ohio 44022.

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**Note 16 – 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 2012, the Village paid \$182,436 to the Chagrin Valley Engineering, Ltd.

The Village contracted with Colleen Fritz to provide necessary services in connection with editing, layout and related professional consulting for the Village newsletter. Colleen Fritz is the wife of Daniel Fritz, Village Council member. During 2012, the Village paid \$3,200 to Colleen Fritz.



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Management's Discussion and Analysis  
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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, 2011, 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 2011 are as follows:

The net position of governmental activities was valued at \$8.5 million as compared to \$8.7 million at the end of 2010. Unrestricted net position at the end of 2011 was \$5.9 million compared to \$4.9 million at the end of 2010.

The Village's general receipts are primarily income and property taxes. These receipts represent respectively 38% and 20% of the total cash received for governmental activities during the year. Income Tax receipts increased by 22% over 2010 due to additional taxes paid by certain wealthy individuals which is the primary component of income tax collections in the Village. Also, property tax receipts increase slightly over 2010 levels by 1.4% due to additional home building and renovation activities to the real property in the Village.

The Village's bond rating was upgraded to Aa1 from Aa2 by Moody's Investors Service in 2010 based on a recalibration undertaken by the rating agency primarily involving the public sector and also due to the prudent fiscal management and the Village's extremely wealthy and stable residential base and healthy finances. This rating continued during 2011.

### 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 position 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 basic 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 a 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.

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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 Village as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net position 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 position 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 Village'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 non-major 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, Police and Fire Levy and General Obligation Debt funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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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 Village as a Whole**

Table 1 provides a summary of the Village's net position for 2011 compared to 2010 on a cash basis.

(Table 1)  
**Net Position**

	Governmental Activities 2011	Governmental Activities 2010
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$8,469,029	\$8,695,600
Total Assets	\$8,469,029	\$8,695,600
<b>Net Position</b>		
Restricted for:		
Capital Outlay	1,529,786	2,438,221
Debt Service	554,423	236,553
Other Purposes	476,288	1,080,292
Unrestricted	5,908,532	4,940,534
Total Net Position	\$8,469,029	\$8,695,600

As mentioned previously, the net position of governmental activities stayed flat at year end compared to the 2010 levels. The General Fund showed an increase of \$1.0 million and the General Bond Retirement Fund showed an increase of \$320,000 due to a sale of refunding bonds to take advantage of the lower interest rates. These increases were offset by a decline in fund balance of \$380,000 in the Emergency Ambulance Fund which is now being collected by the Village of Chagrin Falls on behalf of the Village and credited quarterly against the monthly billing for Fire and EMS services. There was also a decline of \$520,000 in the Service Facility Fund due to the completion of the construction project. The Route 91, South Woodland, and Chagrin Blvd Slope Stabilization Funds jointly showed a reduction of approximately \$0.4 million due to transfers made to the Bond Retirement and General Funds. The Waste Water Expansion Fund and the Street Construction Fund also showed a reduction of \$0.6 million jointly due to additional infrastructure improvements during 2011.

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Table 2 reflects the changes in net position during 2011 and also provides a comparative analysis of government-wide data.

**Changes in Net Position**

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$198,727	\$230,849
Operating Grants and Contributions	288,361	256,755
Capital Grants and Contributions	235,516	367,666
Total Program Receipts	<u>722,604</u>	<u>855,270</u>
General Receipts:		
Property Taxes	1,595,939	1,573,460
Income Taxes	3,068,697	2,513,869
Grants and Entitlements Not Restricted to Specific Programs	1,185,560	626,279
Sale of Bonds	774,549	0
Interest	24,507	18,517
Miscellaneous	668,454	153,878
Proceeds from OPWC Loans	0	70,374
Total General Receipts	<u>7,317,706</u>	<u>4,956,377</u>
Total Receipts	<u>8,040,310</u>	<u>5,811,647</u>
Disbursements:		
Security of Persons and Property	1,846,027	1,784,139
Public Health Services	17,529	17,457
Community Environment	76,189	150,680
Basic Utility Services	1,456,793	1,315,963
Transportation	834,791	448,026
General Government	1,711,112	1,440,889
Capital Outlay	1,429,006	3,593,569
Principal Retirement	867,916	89,752
Interest and Fiscal Charges	27,518	43,523
Total Disbursements	<u>8,266,881</u>	<u>8,883,998</u>
Decrease in Net Position	(226,571)	(3,072,351)
Net Position, January 1	<u>8,695,600</u>	<u>11,767,951</u>
Net Position, December 31	<u>\$8,469,029</u>	<u>\$8,695,600</u>

Total Receipts increased from \$5.8 million to \$8.0 million due to proceeds from sale of refunding bonds in the amount of \$0.8 million, grant reimbursements from City of Cleveland in the amount of \$0.6 million for waterline improvements. Additionally, income tax and property tax receipts increase by \$0.6 million compared to 2010. Program receipts are primarily comprised of charges for services and grants 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, 2011  
Unaudited

General receipts represent 91 percent of the Village's total receipts during 2011 compared to 85 percent during 2010, and of this amount, over 41 percent are local municipal income taxes and 21 percent 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, 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**

The Statement of Activities on page 44 lists the major services provided by the Village in the first column. The next column identifies the costs of providing these services. The largest program disbursements for governmental activities are for security of persons and property, which account for 22 percent of all governmental expenses during 2011. General government and basic utility services also represent significant disbursements accounting for 21 percent and 18 percent of total expenses, 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 Position column compare 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 2011	Net Cost of Services 2011	Total Cost Of Services 2010	Net Cost of Services 2010
Security of Persons and Property	\$1,846,027	(\$1,775,888)	\$1,784,139	(\$1,727,573)
Public Health Services	17,529	(5,131)	17,457	(16,968)
Community Environment	76,189	(76,189)	150,680	(150,680)
Basic Utility Services	1,456,793	(1,218,482)	1,315,963	(1,043,218)
Transportation	834,791	(819,387)	448,026	(433,917)
General Government	1,711,112	(1,573,717)	1,440,889	(1,289,826)
Capital Outlay	1,429,006	(1,193,490)	3,593,569	(3,259,823)
Redemption of Principal	867,916	(854,475)	89,752	(63,200)
Interest and Fiscal Charges	27,518	(27,518)	43,523	(43,523)
<b>Total Expenses</b>	<b>\$8,266,881</b>	<b>(\$7,544,277)</b>	<b>\$8,883,998</b>	<b>(\$8,028,728)</b>

The dependence upon property and income tax receipts is apparent as over 58 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, 2011  
Unaudited

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**The Village's Funds**

Total governmental funds had receipts of \$8,040,310 and disbursements of \$8,266,881, not including transfers. The Service Facility was finally completed and accounted for a reduction of \$520,000 in fund balances due to final payouts. Some other capital projects were closed out and the funds were transferred back to the Bond Retirement Fund or the General Fund. The Waste Water Treatment Plant showed a reduction of \$251,000 and the Streets Construction and Maintenance Fund also was reduced by \$340,000 due to additional infrastructure improvements. The Emergency Ambulance Fund was almost depleted due to a transfer of \$380,000 to the Police and Fire Levy Fund to support the operations of the Police Department and pay for the Fire and EMS services from the Village of Chagrin Falls.

**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 2011, 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 \$1,234,685. Final disbursements were budgeted at \$3,965,268 while actual disbursements were \$3,766,720 which includes year-end encumbrances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**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, 2011, the Village's outstanding debt was \$963,851 comprising of Various Purpose and Street improvement bonds along with Ohio Public Works Commission Loans. 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 3 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 Village'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 Position - Cash Basis*  
*December 31, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,469,029</u>
<i>Total Assets</i>	<u><u>\$8,469,029</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$1,529,786
Debt Service	554,423
Other Purposes	476,288
Unrestricted	<u>5,908,532</u>
<i>Total Net Position</i>	<u><u>\$8,469,029</u></u>

See accompanying notes to the basic financial statements

**Village of Moreland Hills**  
*Cuyahoga County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2011*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Security of Persons and Property	\$1,846,027	\$70,139	\$0	\$0	(\$1,775,888)
Public Health Services	17,529	12,398	0	0	(5,131)
Community Environment	76,189	0	0	0	(76,189)
Basic Utility Services	1,456,793	8,814	229,497	0	(1,218,482)
Transportation	834,791	15,404	0	0	(819,387)
General Government	1,711,112	91,972	45,423	0	(1,573,717)
Capital Outlay	1,429,006	0	0	235,516	(1,193,490)
Debt Service:					
Principal Retirement	867,916	0	13,441	0	(854,475)
Interest and Fiscal Charges	27,518	0	0	0	(27,518)
<b>Total Governmental Activities</b>	<b>\$8,266,881</b>	<b>\$198,727</b>	<b>\$288,361</b>	<b>\$235,516</b>	<b>(7,544,277)</b>
		General Receipts:			
		Property Taxes Levied for:			
					1,512,080
					83,859
					3,068,697
					1,185,560
					774,549
					24,507
					668,454
					<u>7,317,706</u>
					Change in Net Position (226,571)
					<u>Net Position, Beginning of Year 8,695,600</u>
					<u>Net Position, End of Year \$8,469,029</u>

See accompanying notes to the basic financial statements



**Village of Moreland Hills**  
*Cuyahoga County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2011*

	General	Police & Fire Levy	General Obligation Debt	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$5,908,532	\$13,855	\$402,464	\$2,144,178	\$8,469,029
<i>Total Assets</i>	<u>\$5,908,532</u>	<u>\$13,855</u>	<u>\$402,464</u>	<u>\$2,144,178</u>	<u>\$8,469,029</u>
<b>Fund Balances</b>					
Restricted	\$0	\$13,855	\$402,464	\$1,302,070	\$1,718,389
Committed	0	0	0	842,108	842,108
Unassigned	5,908,532	0	0	0	5,908,532
<i>Total Fund Balances</i>	<u>\$5,908,532</u>	<u>\$13,855</u>	<u>\$402,464</u>	<u>\$2,144,178</u>	<u>\$8,469,029</u>

See accompanying notes to the basic financial statements

**Village of Moreland Hills**  
Cuyahoga County  
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2011

	General	Police & Fire Levy	General Obligation Debt	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal Income Taxes	\$3,068,697	\$0	\$0	\$0	\$3,068,697
Property and Other Local Taxes	820,241	628,945	83,859	62,894	1,595,939
Intergovernmental	904,322	88,034	11,738	226,889	1,230,983
Special Assessments	0	0	0	478,454	478,454
Charges for Services	8,165	0	0	10,212	18,377
Fines, Licenses and Permits	153,946	0	0	26,429	180,375
Earnings on Investments	23,221	0	0	1,286	24,507
Miscellaneous	119,704	92	0	548,633	668,429
<i>Total Receipts</i>	<u>5,098,296</u>	<u>717,071</u>	<u>95,597</u>	<u>1,354,797</u>	<u>7,265,761</u>
<b>Disbursements</b>					
Current:					
Security of Persons and Property	0	1,651,425	0	194,602	1,846,027
Public Health Services	17,529	0	0	0	17,529
Community Environment	72,602	0	0	18,374	90,976
Basic Utility Services	1,208,395	0	0	248,398	1,456,793
Transportation	125,823	0	0	708,968	834,791
General Government	1,657,218	0	30,311	20,598	1,708,127
Capital Outlay	0	66,588	0	1,350,616	1,417,204
Debt Service:					
Principal Retirement	0	0	857,916	10,000	867,916
Interest and Fiscal Charges	0	0	23,544	3,974	27,518
<i>Total Disbursements</i>	<u>3,081,567</u>	<u>1,718,013</u>	<u>911,771</u>	<u>2,555,530</u>	<u>8,266,881</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,016,729</u>	<u>(1,000,942)</u>	<u>(816,174)</u>	<u>(1,200,733)</u>	<u>(1,001,120)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Bonds	0	0	774,549	0	774,549
Transfers In	62,301	970,000	363,208	996,032	2,391,541
Transfers Out	(1,111,032)	0	0	(1,280,509)	(2,391,541)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,048,731)</u>	<u>970,000</u>	<u>1,137,757</u>	<u>(284,477)</u>	<u>774,549</u>
<i>Net Change in Fund Balances</i>	967,998	(30,942)	321,583	(1,485,210)	(226,571)
<i>Fund Balances Beginning of Year</i>	<u>4,940,534</u>	<u>44,797</u>	<u>80,881</u>	<u>3,629,388</u>	<u>8,695,600</u>
<i>Fund Balances End of Year</i>	<u>\$5,908,532</u>	<u>\$13,855</u>	<u>\$402,464</u>	<u>\$2,144,178</u>	<u>\$8,469,029</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*  
*For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$2,325,532	\$2,325,532	\$3,068,697	\$743,165
Property and Other Local Taxes	621,598	621,598	820,241	198,643
Intergovernmental	685,317	685,317	904,322	219,005
Charges for Services	6,188	6,188	8,165	1,977
Fines, Licenses and Permits	116,664	116,664	153,946	37,282
Earnings on Investments	17,597	17,597	23,221	5,624
Miscellaneous	90,715	90,715	119,704	28,989
<i>Total Receipts</i>	3,863,611	3,863,611	5,098,296	1,234,685
<b>Disbursements</b>				
Current:				
Public Health Services	17,500	17,550	17,529	21
Community Environment	77,185	77,185	72,602	4,583
Basic Utility Services	1,269,257	1,340,258	1,244,614	95,644
Transportation	245,857	280,857	279,840	1,017
General Government	1,826,268	2,249,418	2,152,135	97,283
<i>Total Disbursements</i>	3,436,067	3,965,268	3,766,720	198,548
<i>Excess of Receipts Over (Under) Disbursements</i>	427,544	(101,657)	1,331,576	1,433,233
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	62,301	62,301
Transfers Out	(2,001,493)	(1,501,493)	(1,111,032)	390,461
<i>Total Other Financing Sources (Uses)</i>	(2,001,493)	(1,501,493)	(1,048,731)	452,762
<i>Net Change in Fund Balance</i>	(1,573,949)	(1,603,150)	282,845	1,885,995
<i>Unencumbered Fund Balance Beginning of Year</i>	4,508,397	4,508,397	4,508,397	0
Prior Year Encumbrances Appropriated	432,137	432,137	432,137	0
<i>Unencumbered Fund Balance End of Year</i>	\$3,366,585	\$3,337,384	\$5,223,379	\$1,885,995

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 & Fire Levy Fund*  
*For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$634,007	\$634,007	\$628,945	(\$5,062)
Intergovernmental	88,742	88,742	88,034	(708)
Miscellaneous	93	93	92	(1)
<i>Total Receipts</i>	<u>722,842</u>	<u>722,842</u>	<u>717,071</u>	<u>(5,771)</u>
<b>Disbursements</b>				
Security of Persons and Property	1,678,131	1,658,491	1,656,846	1,645
Capital Outlay	55,325	66,625	66,588	37
<i>Total Disbursements</i>	<u>1,733,456</u>	<u>1,725,116</u>	<u>1,723,434</u>	<u>1,682</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,010,614)</u>	<u>(1,002,274)</u>	<u>(1,006,363)</u>	<u>(4,089)</u>
<b>Other Financing Sources</b>				
Transfers In	977,806	977,806	970,000	(7,806)
<i>Total Other Financing Sources (Uses)</i>	<u>977,806</u>	<u>977,806</u>	<u>970,000</u>	<u>(7,806)</u>
<i>Net Change in Fund Balance</i>	<u>(32,808)</u>	<u>(24,468)</u>	<u>(36,363)</u>	<u>(11,895)</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	1,999	1,999	1,999	0
Prior Year Encumbrances Appropriated	42,798	42,798	42,798	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$11,989</u>	<u>\$20,329</u>	<u>\$8,434</u>	<u>(\$11,895)</u>

See accompanying notes to the basic financial statements

**Village of Moreland Hills**  
*Cuyahoga County*  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2011*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$116,477</u>
<i>Total Assets</i>	<u><u>\$116,477</u></u>
<b>Net Position</b>	
Held in Trust for Deposits:	
Nonexpendable	<u>\$116,477</u>
<i>Total Net Position</i>	<u><u>\$116,477</u></u>

See accompanying notes to the basic financial statements

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**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 - Reporting Entity**

The Village of Moreland Hills (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.

***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.

***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.

***Jointly Governed Organizations***

The Village participates in two jointly governed organizations. Note 16 to the basic financial statements provide additional information for these entities.

These organizations are:

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 and natural gas.

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, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**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. Following are the more significant of the Village's accounting policies

***Basis of Presentation***

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position 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 for 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

The Village uses funds 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. The funds of the Village are presented in two categories: governmental and fiduciary.



**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Governmental Funds** Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds: The General Fund, The Police and Fire Levy Fund, and the General Obligation Bond Retirement Fund. 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 Police and Fire Levy Fund receives real estate tax, homestead and rollback and personal property tax money for police, fire, and emergency medical services for the Village. The General Obligation Bond Retirement Fund receives real estate tax, homestead and rollback and personal property tax money for the payment of bond principal and interest.

The other governmental funds of the Village account for grants and other resources whose use is restricted or committed 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 governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency fund accounts for the Guaranteed Deposits (building) Fund.

**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 expenses and liabilities) are not recorded in these financial statements.

**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 Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level 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 Treasurer. 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 Village Council.

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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 Village Council during the year.

***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 2011, the Village invested in Federal Government Agencies and STAROhio. All Village investments are reported at cost.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2011.

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 2011 was \$23,221. Interest was also allocated to the Streets, Construction, Maintenance and Repair Fund, the Motor Vehicle Licenses Fund, and the State Highway Improvement Fund in the amounts of \$490, 493, and \$137, respectively, during 2011.

***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.

***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.

**Village of Moreland Hills, Ohio**  
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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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.

***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.

***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.

***Employer Contributions to Cost-Sharing Pension Plans***

The Village recognizes the disbursement for 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 health care benefits.

***Long-Term Obligations***

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when 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.

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for construction and security. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Village of Moreland Hills, Ohio**  
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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Interfund Transactions***

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.

**Village of Moreland Hills, Ohio**  
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**Note 3 – Changes in Accounting Principles**

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances for the governmental funds of the Village.

For 2011, the Village also implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Village's financial statements.

For 2011, the Village also implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village's 2011 financial statements; however, there was no effect on beginning net position/fund balance.

**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), and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$685,153 for the General Fund and \$5,421 for the Police and Fire Levy major Special Revenue Fund.

**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.

**Village of Moreland Hills, Ohio**  
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**Note 5 – Deposits and Investments (Continued)**

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; and
7. The State Treasurer's investment pool (STAROhio).

***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, none of the Village's bank balance of \$1,616,567 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.

**Village of Moreland Hills, Ohio**  
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**Note 5 – Deposits and Investments (Continued)**

***Investments***

As of December 31, 2011, the Village had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank	\$1,000,000	11/17/14
Federal Farm Credit Bank	500,000	12/12/14
Columbus A Various Purpose	523,928	09/01/12
Federal Home Loan Bank Note	1,000,000	05/14/13
Federal Home Loan Bank Note	506,215	04/25/14
Federal Home Loan Bank Note	1,000,000	12/30/14
Federal Home Loan Bank Note	500,000	03/30/15
STAROhio	2,067,969	30 days
Total Portfolio	<u><u>\$7,098,112</u></u>	

***Interest Rate Risk*** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

***Credit Risk*** The security underlying the repurchase agreement, the Federal Farm Credit Bank notes carry a rating of AA+ by Standard and Poor's. Columbus A Various Purpose notes carry a rating of AAA by Standard and Poor's and the Federal Home Loan Bank notes carry a rating of AAA by Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

***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 investments or collateral securities that are in the possession of an outside party. The federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Village of Moreland Hills, Ohio**  
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**Note 5 – Deposits and Investments (Continued)**

**Concentration of Credit Risk** The Village places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2011:

Investment Issuer	Investments
Federal Farm Credit Bank	21.00 %
Columbus A Various Purpose Notes	7.00
Federal Home Loan Bank Notes	43.00
STAROhio	29.00

**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 and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes. 2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$66.77 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$230,485,070
Other Real Estate	5,778,920
Public Utility Personal Property	1,759,130
<b>Total</b>	<b>\$238,023,120</b>

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, Ohio**  
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**Note 8 – Interfund Receivables/Payables**

There were no outstanding interfund balances outstanding as of December 31, 2011.

**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 2011, the Village contracted with several companies for various types of insurance as follows:

Type of Coverage	Coverage	Deductible
Selective Insurance Company		
Blanket Property and Contents, Replacement	\$7,263,988	\$1,000
General Liability	2,000,000	1,000
Automobile Liability	1,000,000	250
Public Officials Liability	1,000,000	5,000
Police Professional Liability	1,000,000	2,500
Employee Benefits	1,000,000	0
Umbrella Excess Liability	10,000,000	0

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 Medical Mutual of Ohio. The Village pays a monthly premium for single and married coverage.

**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, but less than, 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.

**Village of Moreland Hills, Ohio**  
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**Note 10 – Defined Benefit Pension Plans (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting [www.opers.org/investments/cafr](http://www.opers.org/investments/cafr), writing to OPERS, 277 E. 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. Plan member and employer contributions rates were consistent across all three plans. Plan member are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village is 14% of covered payroll. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4% for 2011. The contribution rates are determined actuarially. The Village's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were \$133,851, \$97,630, and \$82,349 respectively. The full amount has been contributed for each year.

**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 2011, a portion of the Village's contribution equal to 12.75 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, 2011, 2010, and 2009 were \$123,617, \$115,181, and \$117,334. The full amount has been contributed for 2011, 2010 and 2009.

**Note 11 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and 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.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

**Village of Moreland Hills, Ohio**  
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**Note 11 - Postemployment Benefits (Continued)**

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit 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 No. 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. OPERS issues a stand-alone financial report that may be obtained by visiting [www.opers.org/investments/cafr](http://www.opers.org/investments/cafr), writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The 2011 local government employer contribution rate was 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for local government employers. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.00 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The OPERS Board of Trustees 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 Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010 and 2009 were \$53,541, \$55,803, and \$59,544, respectively. The full amount has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

**Village of Moreland Hills, Ohio**  
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**Note 11 - Postemployment Benefits (Continued)**

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 health care coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 E. Town Street, Columbus, OH 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at the rate expressed as percentages of the payroll of active pension plan members, currently 19.5% of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts: One for health care benefits under IRS Code Section 115 trust and the other for Medicare Part B reimbursements administered under the Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees also is 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 that were used to pay post-employment benefits for police in 2011, 2010 and 2009 were \$65,444, \$60,978, \$62,118, respectively.

C. Social Security

Some Council members have elected to contribute to Social Security. The contribution rate for 2011 was 6.2%.

**Village of Moreland Hills, Ohio**  
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**Note 12 – Debt**

The Village's long-term debt activity for the year ended December 31, 2011 was as follows:

Governmental Activities	Interest Rate	Debt Outstanding 1/1/2011	Additions	Reductions	Ending Principal 12/31/2011	Due Within One Year
1998 General Obligation Bonds (Original Amount: \$1,425,000)	4.55 and 5.125%	\$730,000	\$0	\$730,000	\$0	\$0
2011 Various Purpose Refunding Bonds (Original Amount: \$765,000)	2.32%	0	765,000	120,000	645,000	125,000
2007 OPWC Loan (Original Amount: \$252,719)	1%	217,950	0	11,823	206,127	11,942
2009 OPWC Loan (Original Amount: \$121,865)	0%	118,818	0	6,094	112,724	6,093
<b>Total Governmental Activities</b>		<u>\$1,066,768</u>	<u>\$765,000</u>	<u>\$867,917</u>	<u>\$963,851</u>	<u>\$143,035</u>

The various purpose 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 Village currently has two loans through the Ohio Public Works Commission (OPWC). The first loan from 2007 relates to the Bentleyville Road water main replacement. The loan will be repaid in semiannual installments, including interest, over 20 years. The loan will be repaid from property tax receipts. The 2009 OPWC Loan relates to the Chagrin Boulevard Slope Stabilization. This loan will also be repaid in semiannual installments over 20 years. The 2009 OPWC Loan is free of interest.

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

Year	Refunding Bonds		2007 OPWC Loan		2009 OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$125,000	\$14,275	\$11,942	\$2,031	\$6,093	\$0
2013	125,000	12,087	12,062	1,912	6,093	0
2014	125,000	9,900	12,182	1,791	6,093	0
2015	135,000	7,087	12,304	1,669	6,093	0
2016	135,000	3,713	12,428	1,545	6,093	0
2017-2021	0	0	64,033	5,833	30,466	0
2022-2026	0	0	67,307	2,558	30,466	0
2027-2031	0	0	13,869	104	21,327	0
<b>Totals</b>	<u>\$645,000</u>	<u>\$47,062</u>	<u>\$206,127</u>	<u>\$17,443</u>	<u>\$112,724</u>	<u>\$0</u>

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, 2011 were an overall debt margin of \$24,901,851 and an unvoted debt margin of \$13,000,695.

**Village of Moreland Hills, Ohio**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

**Note 13 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Police & Fire Levy Fund	GO Debt Fund	Other Governmental Funds	Total
<b>Restricted for</b>					
Road Improvements	\$0	\$0	\$0	\$268,961	\$268,961
Police Operations	0	13,855	0	0	13,855
Drug and Alcohol Ed & Enforce.	0	0	0	240	240
Police Pension	0	0	0	3,641	3,641
Community Diversion Program	0	0	0	17,889	17,889
Law Enforcement Trust	0	0	0	8,146	8,146
R U OK Fund	0	0	0	1,000	1,000
POC Grant Fund	0	0	0	33,423	33,423
Debt Service	0	0	402,464	151,959	554,423
Sewage Treatment System	0	0	0	116,060	116,060
WWTP Expansion	0	0	0	700,751	700,751
<i>Total Restricted</i>	<u>0</u>	<u>13,855</u>	<u>402,464</u>	<u>1,302,070</u>	<u>1,718,389</u>
<b>Committed to</b>					
Emergency Ambulance	0	0	0	3,807	3,807
Water Maintenance and Repair	0	0	0	9,266	9,266
Property Imp and Additions	0	0	0	23,791	23,791
Other Capital Projects	0	0	0	805,244	805,244
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>842,108</u>	<u>842,108</u>
Unassigned (deficits):	<u>5,908,532</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,908,532</u>
<i>Total Fund Balances</i>	<u><u>\$5,908,532</u></u>	<u><u>\$13,855</u></u>	<u><u>\$402,464</u></u>	<u><u>\$2,144,178</u></u>	<u><u>\$8,469,029</u></u>

**Note 14 – Construction and Contractual Commitments**

The Village is currently involved in a major restructure of its sewage treatment plants.

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

**Note 15 - Interfund Transfers**

During 2011 the following transfers were made:

	<b>Transfers From</b>		
<b>Transfers To</b>	General	Other Governmental Funds	Total
General	\$0	\$62,301	\$62,301
Police & Fire Levy Fund	700,000	270,000	970,000
General Obligation Debt Fund	0	363,208	363,208
Other Governmental Funds	411,032	585,000	996,032
Total	\$1,111,032	\$1,280,509	\$2,391,541

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 general fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements.

The other governmental funds transfers to the general fund were for the return of funds in the close out of various capital project funds.

**Note 16 – 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 2011. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**Village of Moreland Hills, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 16 – 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, 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. During 2011 the Village paid \$7,000 to VERCOG. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio, 44124.

**Note 17 – 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 2011, the Village paid \$117,266 to the Chagrin Valley Engineering, Ltd.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 24, 2013, wherein we noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-001 to be a significant deficiency.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 24, 2013

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Financial Reporting – Significant Deficiency**

Sound financial reporting is the responsibility of Village management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Although properly posted to the Village's accounting system, the following deficiencies were noted and subsequent adjustments made to the Village's financial statements for 2012:

- The Village misposted \$20,974 in Capital Grants and Special Assessments – Capital Outlay receipts as Property Taxes Levied for General Purposes in the Governmental Activities;
- The Village misposted \$12,556 in Sale of Assets as Miscellaneous Revenue in the Governmental Activities and General Fund;
- The Village misposted \$12,000 in Intergovernmental Revenue as Miscellaneous Revenue in the Governmental Activities and Other Governmental Funds; and
- The Village did not properly report a \$12,000 adjustment from General Government disbursements to Capital Outlay disbursements within the Governmental Activities and Other Governmental Funds, resulting in a \$12,000 understatement of General Government disbursements and overstatement of Capital Outlay disbursements. This adjustment should have been reflected for 2011 and the related adjustment is noted in the final bullet point below.

Although properly posted to the Village's accounting system, the following deficiencies were noted and subsequent adjustments made to the Village's financial statements for 2011:

- The Village misposted \$774,549 in sale of bonds as miscellaneous revenue in the Governmental Activities and General Obligation Debt Fund;
- The Village misposted \$548,633 in miscellaneous reimbursement revenue as charges for services in the Governmental Activities and Other Governmental Funds;
- The Village misposted \$45,423 in intergovernmental revenue as miscellaneous revenue in Other Governmental Funds; and
- The Village misposted \$12,000 in capital outlay disbursements as General Government disbursements in the Governmental Activities and Other Governmental Funds.

In addition, the Village did not accurately display its budgetary comparisons for the General or Police and Fire Levy funds in 2012 or 2011. Various percentages, calculations and prior year balances were also incorrectly reported within the Village's Deposits and Investments, Pension, Debt and Interfund Transfers note disclosures, as well as Management's Discussion and Analysis, requiring additional significant changes.

The lack of controls over the posting of financial transactions and financial reporting resulted in several errors and mispostings that required adjustments, and numerous modifications to the original financial reports.

We recommend the Village take appropriate measures to ensure that all financial reports are in agreement with its accounting system and previous financial report balances, and that all balances reflect the actual financial activity of the Village.

**Official's Response:**

The Village declined to respond to the above finding.

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# Dave Yost • 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  
JULY 9, 2013**