



Dave Yost • Auditor of State

**VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY
DECEMBER 31, 2016 AND 2015**

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VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY
DECEMBER 31, 2016 AND 2015

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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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), as of and for the year ended December 31, 2016 and 2015, 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 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, 2016 and 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General, Police and Fire Levy, and Streets, Construction, Maintenance and Repair funds, thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matter

We applied no procedures to the Management's Discussion & Analysis, as listed in the table of contents. Accordingly, 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 August 2, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

August 2, 2017

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

This discussion and analysis of the financial performance of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), provides an overall review of the Village's financial activities for the year ended December 31, 2016, 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 2016 are as follows:

- The net position of governmental activities increased by approximately \$1 million during 2016. Of the Village's governmental funds, the general fund showed the biggest increase of approximately \$0.9 million from 2015 to 2016.
- The Village's general receipts are primarily income and property taxes. These receipts represent, respectively, 54.36 percent and 23.61 percent of the total cash received for governmental activities during 2016. Income tax receipts in 2016 increased by 12.76 percent due to the improving state of the general economy. Property tax receipts have remained steady over the last three years.
- The Village's bond rating remains at Aa1 after being upgraded recently from Aa2 by Moody's Investors Service 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.

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 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, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

Reporting the Village as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2016 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, the Village's funds are expressed as the following:

Governmental Activities – The Village's basic 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, streets construction, maintenance and repair (SCM&R), and the waste water treatment plant expansion 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, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

The Government as a Whole

Table 1 provides a summary of the Village's net position for 2016 compared to 2015 on a cash basis:

| Table 1 | | | |
|--------------------------------|--------------------|--------------------|--------------------|
| Net Position | | | |
| <u>Governmental Activities</u> | | | |
| | <u>2016</u> | <u>2015</u> | <u>Change</u> |
| Assets | | | |
| Cash and Cash Equivalents | <u>\$7,229,201</u> | <u>\$6,133,074</u> | <u>\$1,096,127</u> |
| Net Position | | | |
| Restricted: | | | |
| Capital Projects | \$1,432,606 | \$1,287,371 | \$145,235 |
| Debt Service | 255,879 | 316,185 | (60,306) |
| Other Purposes | 948,864 | 856,156 | 92,708 |
| Unrestricted | <u>4,591,852</u> | <u>3,673,362</u> | <u>918,490</u> |
| <i>Total Net Position</i> | <u>\$7,229,201</u> | <u>\$6,133,074</u> | <u>\$1,096,127</u> |

Net position of the governmental activities increased by \$1,096,127, or 17.87 percent, during 2016. The increase is due to a reduction in disbursements, primarily for transportation costs, in addition to increases in overall receipts despite a decrease in charges for services program revenues. General receipts increased significantly, offsetting the decrease in program revenues.

Table 2 reflects the changes in net position for 2016 compared to 2015 and corresponds to the statement of activities.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Changes in Net Position

| | Governmental Activities | | |
|--|----------------------------|--------------------|--------------------|
| | 2016 | 2015 | Change |
| Receipts | | | |
| Program Receipts: | | | |
| Charges for Services and Operating Assessments | \$326,869 | \$751,388 | (\$424,519) |
| Operating Grants and Contributions | 496,325 | 286,849 | 209,476 |
| Capital Grants and Contributions | 196,603 | 70,000 | 126,603 |
| Total Program Receipts | 1,019,797 | 1,108,237 | (88,440) |
| General Receipts: | | | |
| Property Taxes | 1,695,977 | 1,570,921 | 125,056 |
| Income Taxes | 3,904,138 | 3,462,370 | 441,768 |
| Grants and Entitlements Not Restricted to Specific Programs | 223,195 | 163,340 | 59,855 |
| Interest | 7,107 | 27,596 | (20,489) |
| Other | 331,730 | 168,311 | 163,419 |
| Total General Receipts | 6,162,147 | 5,392,538 | 769,609 |
| Total Receipts | 7,181,944 | 6,500,775 | 681,169 |
| Program Disbursements | | | |
| Security of Persons and Property | 2,035,798 | 2,113,882 | 78,084 |
| Public Health Services | 13,014 | 13,014 | 0 |
| Community Environment | 61,097 | 291,800 | 230,703 |
| Basic Utility Services | 1,505,724 | 1,753,674 | 247,950 |
| Transportation | 646,596 | 1,143,013 | 496,417 |
| General Government | 1,588,903 | 1,476,018 | (112,885) |
| Capital Outlay | 72,849 | 129,745 | 56,896 |
| Principal Retirement | 156,082 | 155,933 | (149) |
| Interest and Fiscal Charges | 5,754 | 9,278 | 3,524 |
| Total Disbursements | 6,085,817 | 7,086,357 | 1,000,540 |
| Change in Net Position | 1,096,127 | (585,582) | 1,681,709 |
| Net Position Beginning of Year | 6,133,074 | 6,718,656 | (585,582) |
| Net Position End of Year | \$7,229,201 | \$6,133,074 | \$1,096,127 |

Program receipts represented 12.74 percent of total receipts during 2016 compared to 17.02 percent in 2015. 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.

General receipts represent 83.51 percent of the Village's total receipts during 2016, compared to 82.98 percent during 2015. Local municipal income tax and property tax revenues comprise 63.36 percent and 27.52 percent of the general receipts, respectively, during 2016. General receipts increased significantly in 2016 due primarily to increased property and income tax revenues.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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, the Village tries 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 lists the major services provided by the Village along with a column identifying the costs of providing these services. Typically, the largest program disbursements for governmental activities are for security of persons and property, which accounted for 33.45 percent of all cash disbursements for 2016. General government and basic utility services also represent significant disbursements accounting for 26.10 percent and 24.74 percent of total cash disbursements for 2016, 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 Receipts (Disbursements) and Changes in Net Position" column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the statement.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|----------------------------------|---------------------------|--------------------|-------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Security of Persons and Property | \$2,035,798 | \$2,113,882 | (\$1,931,157) | (\$2,113,882) |
| Public Health Services | 13,014 | 13,014 | (11,938) | (11,942) |
| Community Environment | 61,097 | 291,800 | (56,836) | (283,459) |
| Basic Utility Services | 1,505,724 | 1,753,674 | (1,167,572) | (1,317,321) |
| Transportation | 646,596 | 1,143,013 | (418,394) | (913,057) |
| General Government | 1,588,903 | 1,476,018 | (1,442,041) | (1,113,503) |
| Capital Outlay | 72,849 | 129,745 | 123,754 | (59,745) |
| Principal Retirement | 156,082 | 155,933 | (156,082) | (155,933) |
| Interest and Fiscal Charges | 5,754 | 9,278 | (5,754) | (9,278) |
| Total Disbursements | \$6,085,817 | \$7,086,357 | (\$5,066,020) | (\$5,978,120) |

The Village's Funds

Total governmental funds had receipts of \$7,181,944 and disbursements of \$6,085,817 for 2016. The operations of the Village remained consistent with the preceding fiscal years. During 2016, total receipts increased significantly while expenditures decreased significantly. The Village is carefully monitoring expenditures to ensure that they remain in line with revenues. The general fund showed an increase of approximately \$0.9 million from 2015 to 2016 due, in part, to increases in income tax receipts. The waste water treatment plant expansion fund reflected an increase of \$178,849 in net position from 2015 to 2016, which will be utilized for future capital improvements to the recently built pump stations.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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 2016, the Village amended its general fund appropriations several times to reflect changing circumstances. Including other financing uses, final disbursements were budgeted at \$6,825,317, while actual disbursements were \$6,115,029, which includes year-end encumbrances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village spent significantly less than budgeted as demonstrated by the large reported positive variances. Original budgeted disbursements were less than the final budgeted disbursements. Actual disbursements were \$710,288 less than final budgeted disbursements due to lower overhead and support services costs than expected.

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, 2016, the Village's outstanding debt was \$275,153, comprising of Ohio Public Works Commission loans. For further information regarding the Village's debt, refer to Note 10 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 Council of Governments while setting up reserves annually to be used in the event of an economic downturn. The reserves along with the unencumbered cash balance amounted to 93 percent of General Fund expenditures at the end of 2016. 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.

Basic Financial Statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2016

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$7,229,201</u> |
| Net Position | |
| Restricted for: | |
| Capital Projects | \$1,432,606 |
| Debt Service | 255,879 |
| Other Purposes | 948,864 |
| Unrestricted | <u>4,591,852</u> |
| <i>Total Net Position</i> | <u>\$7,229,201</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

| | Program Cash Receipts | | | Net Receipts (Disbursements) and Changes in Net Position | |
|--------------------------------------|-----------------------|---|--|---|----------------------------|
| | Cash Disbursements | Charges for Services and Operating Assessments | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| Security of Persons and Property | \$2,035,798 | \$60 | \$104,581 | \$0 | (\$1,931,157) |
| Public Health Services | 13,014 | 1,076 | 0 | 0 | (11,938) |
| Community Environment | 61,097 | 4,261 | 0 | 0 | (56,836) |
| Basic Utility Services | 1,505,724 | 141,301 | 196,851 | 0 | (1,167,572) |
| Transportation | 646,596 | 37,886 | 190,316 | 0 | (418,394) |
| General Government | 1,588,903 | 142,285 | 4,577 | 0 | (1,442,041) |
| Capital Outlay | 72,849 | 0 | 0 | 196,603 | 123,754 |
| Debt Service: | | | | | |
| Principal Retirement | 156,082 | 0 | 0 | 0 | (156,082) |
| Interest and Fiscal Charges | 5,754 | 0 | 0 | 0 | (5,754) |
| <i>Total Governmental Activities</i> | <u>\$6,085,817</u> | <u>\$326,869</u> | <u>\$496,325</u> | <u>\$196,603</u> | <u>(5,066,020)</u> |

General Receipts

| | |
|---------------------------------------|--------------------|
| Property Taxes Levied for: | |
| General Purposes | 876,757 |
| Other Purposes | 730,253 |
| Debt Service | 88,967 |
| Income Taxes Levied for: | |
| General Purposes | 3,904,138 |
| Grants and Entitlements not | |
| Restricted to Specific Programs | 223,195 |
| Interest | 7,107 |
| Miscellaneous | 331,730 |
| <i>Total General Receipts</i> | <u>6,162,147</u> |
| Change in Net Position | 1,096,127 |
| <i>Net Position Beginning of Year</i> | <u>6,133,074</u> |
| <i>Net Position End of Year</i> | <u>\$7,229,201</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

| | General | Police and Fire Levy | Streets Construction, Maintenance and Repair | Waste Water Treatment Plant Expansion | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------|---|--|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,591,852 | \$191,925 | \$214,610 | \$1,372,814 | \$858,000 | \$7,229,201 |
| Fund Balances | | | | | | |
| Restricted | 0 | 191,925 | 214,610 | 1,372,814 | 774,552 | 2,553,901 |
| Committed | 0 | 0 | 0 | 0 | 83,448 | 83,448 |
| Assigned | 1,519,099 | 0 | 0 | 0 | 0 | 1,519,099 |
| Unassigned | 3,072,753 | 0 | 0 | 0 | 0 | 3,072,753 |
| <i>Total Fund Balances</i> | <u>4,591,852</u> | <u>191,925</u> | <u>214,610</u> | <u>1,372,814</u> | <u>858,000</u> | <u>7,229,201</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$4,591,852</u> | <u>\$191,925</u> | <u>\$214,610</u> | <u>\$1,372,814</u> | <u>\$858,000</u> | <u>\$7,229,201</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

| | General | Police and Fire Levy | Streets Construction, Maintenance and Repair | Waste Water Treatment Plant Expansion | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------|---|--|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Municipal Income Taxes | \$3,904,138 | \$0 | \$0 | \$0 | \$0 | \$3,904,138 |
| Property and Other Local Taxes | 876,757 | 663,640 | 0 | 0 | 155,580 | 1,695,977 |
| Charges for Services | 6,979 | 0 | 0 | 0 | 42,666 | 49,645 |
| Fines, Licenses and Permits | 244,797 | 0 | 21,367 | 11,000 | 60 | 277,224 |
| Intergovernmental | 210,632 | 95,158 | 144,655 | 0 | 64,146 | 514,591 |
| Special Assessments | 0 | 0 | 8,078 | 196,603 | 196,851 | 401,532 |
| Interest | 6,794 | 0 | 169 | 0 | 144 | 7,107 |
| Miscellaneous | 264,323 | 56,379 | 8,107 | 0 | 2,921 | 331,730 |
| <i>Total Receipts</i> | <u>5,514,420</u> | <u>815,177</u> | <u>182,376</u> | <u>207,603</u> | <u>462,368</u> | <u>7,181,944</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 0 | 1,811,395 | 0 | 0 | 224,403 | 2,035,798 |
| Public Health Services | 13,014 | 0 | 0 | 0 | 0 | 13,014 |
| Community Environment | 61,097 | 0 | 0 | 0 | 0 | 61,097 |
| Basic Utility Services | 1,342,269 | 0 | 0 | 0 | 163,455 | 1,505,724 |
| Transportation | 200,647 | 0 | 369,616 | 0 | 76,333 | 646,596 |
| General Government | 1,588,903 | 0 | 0 | 0 | 0 | 1,588,903 |
| Capital Outlay | 0 | 0 | 0 | 28,754 | 44,095 | 72,849 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 156,082 | 156,082 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 5,754 | 5,754 |
| <i>Total Disbursements</i> | <u>3,205,930</u> | <u>1,811,395</u> | <u>369,616</u> | <u>28,754</u> | <u>670,122</u> | <u>6,085,817</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>2,308,490</u> | <u>(996,218)</u> | <u>(187,240)</u> | <u>178,849</u> | <u>(207,754)</u> | <u>1,096,127</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 0 | 1,040,000 | 140,000 | 0 | 210,000 | 1,390,000 |
| Transfers Out | (1,390,000) | 0 | 0 | 0 | 0 | (1,390,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,390,000)</u> | <u>1,040,000</u> | <u>140,000</u> | <u>0</u> | <u>210,000</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 918,490 | 43,782 | (47,240) | 178,849 | 2,246 | 1,096,127 |
| <i>Fund Balance Beginning of Year</i> | <u>3,673,362</u> | <u>148,143</u> | <u>261,850</u> | <u>1,193,965</u> | <u>855,754</u> | <u>6,133,074</u> |
| <i>Fund Balance End of Year</i> | <u>\$4,591,852</u> | <u>\$191,925</u> | <u>\$214,610</u> | <u>\$1,372,814</u> | <u>\$858,000</u> | <u>\$7,229,201</u> |

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
General Fund
For the Year Ended December 31, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|--|-------------------------|------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | | Final Budget Positive (Negative) |
| Receipts | | | | |
| Municipal Income Taxes | \$2,403,094 | \$2,403,094 | \$3,904,138 | \$1,501,044 |
| Property and Other Local Taxes | 539,666 | 539,666 | 876,757 | 337,091 |
| Charges for Services | 4,296 | 4,296 | 6,979 | 2,683 |
| Fines, Licenses and Permits | 150,679 | 150,679 | 244,797 | 94,118 |
| Intergovernmental | 129,649 | 129,649 | 210,632 | 80,983 |
| Interest | 4,182 | 4,182 | 6,794 | 2,612 |
| Miscellaneous | 162,697 | 162,697 | 264,323 | 101,626 |
| <i>Total Receipts</i> | <u>3,394,263</u> | <u>3,394,263</u> | <u>5,514,420</u> | <u>2,120,157</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Health Services | 14,185 | 14,970 | 13,014 | 1,956 |
| Community Environment | 85,684 | 90,426 | 78,609 | 11,817 |
| Basic Utility Services | 1,543,486 | 1,628,898 | 1,416,033 | 212,865 |
| Transportation | 220,706 | 232,919 | 202,481 | 30,438 |
| General Government | 3,286,254 | 3,468,104 | 3,014,892 | 453,212 |
| <i>Total Disbursements</i> | <u>5,150,315</u> | <u>5,435,317</u> | <u>4,725,029</u> | <u>710,288</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (1,756,052) | (2,041,054) | 789,391 | 2,830,445 |
| Other Financing Uses | | | | |
| Transfers Out | (1,390,000) | (1,390,000) | (1,390,000) | 0 |
| <i>Net Change in Fund Balance</i> | (3,146,052) | (3,431,054) | (600,609) | 2,830,445 |
| <i>Fund Balance Beginning of Year</i> | 1,951,238 | 1,951,238 | 1,951,238 | 0 |
| Prior Year Encumbrances Appropriated | 1,722,124 | 1,722,124 | 1,722,124 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$527,310</u> | <u>\$242,308</u> | <u>\$3,072,753</u> | <u>\$2,830,445</u> |

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 and Fire Levy Fund
For the Year Ended December 31, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$725,773 | \$725,773 | \$663,640 | (\$62,133) |
| Intergovernmental | 104,067 | 104,067 | 95,158 | (8,909) |
| Miscellaneous | 61,657 | 61,657 | 56,379 | (5,278) |
| <i>Total Receipts</i> | 891,497 | 891,497 | 815,177 | (76,320) |
| Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 2,026,280 | 1,897,280 | 1,836,039 | 61,241 |
| <i>Excess of Receipts Under Disbursements</i> | (1,134,783) | (1,005,783) | (1,020,862) | (15,079) |
| Other Financing Sources | | | | |
| Transfers In | 1,137,369 | 1,137,369 | 1,040,000 | (97,369) |
| <i>Net Change in Fund Balance</i> | 2,586 | 131,586 | 19,138 | (112,448) |
| <i>Fund Balance Beginning of Year</i> | 118,265 | 118,265 | 118,265 | 0 |
| Prior Year Encumbrances Appropriated | 29,877 | 29,877 | 29,877 | 0 |
| <i>Fund Balance (Deficit) End of Year</i> | <u>\$150,728</u> | <u>\$279,728</u> | <u>\$167,280</u> | <u>(\$112,448)</u> |

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
Streets Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2016*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Fines, Licenses and Permits | \$32,510 | \$32,510 | \$21,367 | (\$11,143) |
| Intergovernmental | 220,095 | 220,095 | 144,655 | (75,440) |
| Special Assessments | 12,291 | 12,291 | 8,078 | (4,213) |
| Interest | 257 | 257 | 169 | (88) |
| Miscellaneous | 12,335 | 12,335 | 8,107 | (4,228) |
| <i>Total Receipts</i> | 277,488 | 277,488 | 182,376 | (95,112) |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 745,087 | 565,087 | 555,935 | 9,152 |
| <i>Excess of Receipts Under Disbursements</i> | (467,599) | (287,599) | (373,559) | (85,960) |
| Other Financing Sources | | | | |
| Transfers In | 213,012 | 213,012 | 140,000 | (73,012) |
| <i>Net Change in Fund Balance</i> | (254,587) | (74,587) | (233,559) | (158,972) |
| <i>Fund Balance Beginning of Year</i> | 130,801 | 130,801 | 130,801 | 0 |
| Prior Year Encumbrances Appropriated | 131,049 | 131,049 | 131,049 | 0 |
| <i>Fund Balance (Deficit) End of Year</i> | \$7,263 | \$187,263 | \$28,291 | (\$158,972) |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Fiduciary Assets and Liabilities - Cash Basis
Agency Funds
December 31, 2016

| | <u>Agency</u> |
|---|------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$260,811</u> |
| Liabilities | |
| Held in Trust for Deposits/Unclaimed Funds: | |
| Nonexpendable | <u>\$260,811</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 – Description of the Village and 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.

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 four jointly governed organizations. Note 13 to the financial statements provides additional information for these entities. These organizations are:

Chagrin Valley Dispatch Council – The Chagrin Valley Dispatch Council (the Council) is a council of governments that oversees police, fire, and emergency dispatch services. The Council gives each participating community a voice in how the dispatch services are operated.

Chagrin/Southeast Council of Governments – The Chagrin/Southeast Council of Governments is a council of governments that oversees the handling of hazardous materials in the region.

Northeast Ohio Public Energy Council – The Northeast Ohio Public Energy Council 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.

Suburban Water Regional Council of Governments – The Suburban Water Regional Council of Governments is a council of governments formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Valley Enforcement Regional Council of Governments – The Valley Enforcement Regional Council of Governments is a council of governments formed 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.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2 – Basis of Accounting, 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. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village’s governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program’s goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program activity 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 in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. 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:

General Fund The general fund is used to account for and report all financial resources, except those required to be accounted for and reported 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.

Police and Fire Levy Fund The police and fire levy special revenue fund is used to account for and report revenues from real estate tax, homestead and rollback and personal property tax money restricted for police, fire, and emergency medical services for the Village.

Streets Construction, Maintenance and Repair Fund The streets construction, maintenance and repair special revenue fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Waste Water Treatment Plant Expansion Fund The waste water treatment plant expansion capital projects fund accounts for and reports a portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village's waste water systems and pump stations.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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 and Unclaimed Funds.

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.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Budgetary Process

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established 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 Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

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 2016, the Village invested in federal farm credit bank notes, municipal debt and STAR Ohio. All Village investments are reported at cost.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 was \$6,794. Interest was also allocated to the streets construction, maintenance and repair fund and other governmental funds in the amounts of \$169 and \$144, respectively.

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.

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.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare 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 a 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 street and state highway improvements and federal and state grants restricted to cash disbursements for specified purposes. The Village's policy is to first apply restricted resources when an obligation 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 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.

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, as both are equally legally binding) 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

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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. State statute authorizes the fiscal officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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 statements of receipt, disbursements, and changes in fund balance – budget and actual – budgetary basis presented for the general fund, police and fire levy, and street maintenance 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 and are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at December 31, 2016 (budgetary basis) amounted to \$1,519,099, \$24,644 and \$186,319 and \$212,652 to the general, police and fire levy, streets construction, maintenance and repair and other governmental funds, respectively.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits.

The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution. At December 31, 2016, the Village had a bank balance of \$4,318,215. Of this bank balance, \$3,562,856 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name.

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, 2016, the Village had the following investments:

| Measurements/Investment | Measurement Amount | Maturity | Standard & Poor's Rating | Percent of Total Investments |
|----------------------------------|---------------------------|------------------|--------------------------------|------------------------------------|
| Fair Value: | | | | |
| Federal Farm Credit Bank Notes | \$550,000 | Less than 1 Year | AA+ | 17.11% |
| Municipal Bonds | 500,000 | Less than 1 Year | N/A | 15.56 |
| Municipal Bonds | 1,100,000 | 1-3 Years | N/A | 34.22 |
| Net Asset Value (NAV) Per Share: | | | | |
| STAR Ohio | <u>1,064,285</u> | 51.6 Days | AAAm | 33.11 |
| | <u><u>\$3,214,285</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.

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Credit Risk The federal farm credit bank notes carry a rating of AA+ by Standard and Poor's. The municipal bonds are unrated. STAR Ohio 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 STAR Ohio 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 farm credit 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 Ohio Rev. Code §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, 2016:

| <u>Investment</u> | <u>Percentage</u> |
|--------------------------------|-------------------|
| Federal Farm Credit Bank Notes | 17.11 % |
| Municipal Bonds | 49.78 |

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.

Note 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax receipts received during 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

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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. 2016 public utility property taxes which became a lien on December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$7.30 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2016 property tax receipts were based are as follows:

| | 2016 | 2015 |
|-------------------------|---------------|---------------|
| Real Property | \$246,844,380 | \$235,120,300 |
| Other Real Estate | 5,329,060 | 7,034,590 |
| Public Utility Property | 2,336,660 | 2,293,840 |
| Total Assessed Value | \$254,510,100 | \$244,448,730 |

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 – 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 2016, the Village contracted with Wichert Insurance for various types of insurance coverage as follows:

| Type of Coverage | 2016 Coverage | 2015 Coverage | Deductible |
|--|---------------|---------------|------------|
| Wichert Insurance: | | | |
| Blanket Property and Contents, Replacement | \$10,125,816 | \$9,554,479 | \$5,000 |
| General Liability | 2,000,000 | 2,000,000 | 1,000 |
| Automobile Liability | 1,000,000 | 1,000,000 | 250 |
| Public Officials Liability | 1,000,000 | 1,000,000 | 5,000 |
| Police Professional Liability | 1,000,000 | 1,000,000 | 2,500 |
| Employee Benefits | 1,000,000 | 1,000,000 | 1,000 |
| Inland Marine | 561,389 | 0 | 500 |
| Umbrella Excess Liability | 10,000,000 | 10,000,000 | 0 |

Settled claims have not exceeded this commercial coverage in any of the past 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, married, and family coverage.

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Note 8 - Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

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Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>State and Local</u> | <u>Public Safety</u> | <u>Law Enforcement</u> |
|--|----------------------------|--------------------------|----------------------------|
| 2016 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | * | ** |
| 2016 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 12.0 % | 16.1 % | 16.1 % |
| Post-employment Health Care Benefits | <u>2.0</u> | <u>2.0</u> | <u>2.0</u> |
| Total Employer | <u>14.0 %</u> | <u>18.1 %</u> | <u>18.1 %</u> |
| Employee | <u>10.0 %</u> | <u>12.0 %</u> | <u>13.0 %</u> |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$195,341 for year 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|--|-------------|--------------|
| 2016 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2016 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$769,828 for 2016.

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Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional 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 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.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by 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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment

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amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$27,906, \$23,581, and \$4,775, respectively. The full amount has been contributed all years.

Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OPF 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 administered 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 OPF Board of Trustees.

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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 2016, the portion of employer contributions allocated to health care was 0.5 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 OPF Board of Trustees is also 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 contribution to OPF which was allocated to fund postemployment health care benefits for police was \$19,739 for the year ended December 31, 2016, \$5,239 for the year ended December 31, 2015, and \$23,712 for the year ended December 31, 2014. The full amount has been contributed for all years.

Note 10 – Long-Term Obligations

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity | | |
|--------------------------------------|------------------|--------------------------|---------------------|--------------------|-----------------|
| <i>Governmental Activities:</i> | | | | | |
| 2011 Various Purpose Refunding Bonds | 2.25 % | \$765,000 | 12/1/2016 | | |
| 2007 OPWC Loan | 1.00 | 252,719 | 7/1/2027 | | |
| 2009 OPWC Loan | 0.00 | 121,865 | 1/1/2030 | | |
| 2013 OPWC Loan | 1.00 | 55,293 | 7/1/2033 | | |
| | | | | Balance | Amounts Due |
| | | | | 12/31/15 | In One Year |
| <i>Governmental Activities</i> | | | | | |
| 2011 Various Purpose Refunding Bonds | | \$135,000 | \$0 | (\$135,000) | \$0 |
| 2007 OPWC Loan | | 157,637 | 0 | (12,428) | 12,552 |
| 2009 OPWC Loan | | 88,352 | 0 | (6,093) | 6,093 |
| 2013 OPWC Loan | | 50,246 | 0 | (2,561) | 2,587 |
| <i>Total Governmental Activities</i> | | <u>\$431,235</u> | <u>\$0</u> | <u>(\$156,082)</u> | <u>\$21,232</u> |

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

The Village currently has three 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 2013 OPWC Loan relates to the Jackson Valley Wastewater Treatment Plant Improvements. This loan will be repaid in semiannual installments, including interest, over 20 years. The loan will be repaid from property tax receipts.

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The following is a summary of the Village's future annual principal and interest requirements for debt:

| Year | OPWC Loans | |
|-----------|------------|----------|
| | Principal | Interest |
| 2017 | \$21,232 | \$1,891 |
| 2018 | 21,384 | 1,739 |
| 2019 | 21,537 | 1,586 |
| 2020 | 21,692 | 1,431 |
| 2021 | 21,849 | 1,275 |
| 2022-2026 | 111,644 | 3,974 |
| 2027-2031 | 49,775 | 810 |
| 2032-2033 | 6,040 | 76 |
| Totals | \$275,153 | \$12,782 |

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, 2016 was an overall debt margin of \$26,979,440 and an unvoted debt margin of \$14,253,935.

Note 11 – Interfund Transfers

During 2016, the Village made the following transfers:

| Transfers To | Transfers From General Fund |
|--|--------------------------------|
| Police and Fire Levy | \$1,040,000 |
| Streets Construction, Maintenance and Repair | 140,000 |
| Other Governmental Funds | 210,000 |
| Total | \$1,390,000 |

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 or the extinguishing of funds being closed into the general fund.

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

Note 12 – 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 as follows:

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| Fund Balances | General | Police and Fire Levy | Streets Construction, Maintenance and Repair | Waste Water Treatment Plant Expansion | Other Governmental Funds | Total |
|--|---------------------------|-------------------------|---|--|--------------------------------|---------------------------|
| <u>Restricted to:</u> | | | | | | |
| Road Improvements | \$0 | \$0 | \$214,610 | \$0 | \$175,745 | \$390,355 |
| Police Operations | 0 | 191,925 | 0 | 0 | 0 | 191,925 |
| Drug and Alcohol Education and Enforcement | 0 | 0 | 0 | 0 | 240 | 240 |
| Police Pension | 0 | 0 | 0 | 0 | 2,208 | 2,208 |
| Community Diversion Program | 0 | 0 | 0 | 0 | 8,986 | 8,986 |
| Law Enforcement Trust | 0 | 0 | 0 | 0 | 8,989 | 8,989 |
| R U OK Fund | 0 | 0 | 0 | 0 | 1,000 | 1,000 |
| POC Grant Fund | 0 | 0 | 0 | 0 | 38,649 | 38,649 |
| Debt Service | 0 | 0 | 0 | 0 | 255,879 | 255,879 |
| Sewage Treatment System | 0 | 0 | 0 | 0 | 282,856 | 282,856 |
| WWTP Expansion | 0 | 0 | 0 | 1,372,814 | 0 | 1,372,814 |
| <i>Total Restricted</i> | <u>0</u> | <u>191,925</u> | <u>214,610</u> | <u>1,372,814</u> | <u>774,552</u> | <u>2,553,901</u> |
| <u>Committed to:</u> | | | | | | |
| Emergency Ambulance | 0 | 0 | 0 | 0 | 3,807 | 3,807 |
| Water Maintenance and Repair | 0 | 0 | 0 | 0 | 19,849 | 19,849 |
| Property Improvement and Additions | 0 | 0 | 0 | 0 | 12,750 | 12,750 |
| Other Capital Projects | 0 | 0 | 0 | 0 | 47,042 | 47,042 |
| <i>Total Committed</i> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>83,448</u> | <u>83,448</u> |
| <u>Assigned to:</u> | | | | | | |
| Purchases on Order | 1,519,099 | 0 | 0 | 0 | 0 | 1,519,099 |
| Unassigned | 3,072,753 | 0 | 0 | 0 | 0 | 3,072,753 |
| Total Fund Balances | <u><u>\$4,591,852</u></u> | <u><u>\$191,925</u></u> | <u><u>\$214,610</u></u> | <u><u>\$1,372,814</u></u> | <u><u>\$858,000</u></u> | <u><u>\$7,229,201</u></u> |

Note 13 – Jointly Governed Organizations

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVDC), a jointly governed organization. CVDC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. CVDC was formed to promote cooperative arrangements and coordinate action in matters relating to the dispatch of public safety services and the operation of a communications center. During 2016, the Village contributed \$6,645 to CVDC. Payments were for dispatch services and other emergency related fees (Reverse 911). Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio, 44141.

Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments (the Council). The Council operates the Chagrin/Southeast HazMat Response Team (the Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides

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For the Year Ended December 31, 2016

hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team. During 2016, the Village contributed \$3,500 to the Council. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio, 44139.

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 2016. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Suburban Water Regional Council of Governments

The Village is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the Village of Moreland Hills with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 70 communities. SWRCOG's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The Village did not make any payments to SWRCOG during 2016. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

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 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 2016, the Village contributed \$7,000 to VERCOG each year. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio, 44124.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 14 – Public Entity Risk Pool

The Village used to participate in the Ohio Municipal League Group Rating Plan but currently is not a member of any group rating programs.

Note 15 – Related Party Transactions

The Village contracted with Chagrin Valley Engineering, Ltd. to provide services in connection with the construction of public improvements. The Village Engineer is an employee of Chagrin Valley Engineering, Ltd. During 2016, the Village paid \$149,409 to 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 2016, the Village paid \$3,000 to Colleen Fritz.

Note 16 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

| | |
|--|---------------------------|
| General | \$1,519,099 |
| Police and Fire Levy | 24,644 |
| Streets Construction, Maintenance and Repair | 186,319 |
| Other Governmental Funds | <u>212,652</u> |
| Total | <u><u>\$1,942,714</u></u> |

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

This discussion and analysis of the financial performance of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), provides an overall review of the Village's financial activities for the year ended December 31, 2015, 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 2015 are as follows:

- The net position of governmental activities declined by approximately \$0.6 million during 2015. The general fund showed the biggest reduction of approximately \$0.5 million from 2014 to 2015. This was offset by an increase of \$0.2 million in the waste water treatment plant expansion fund. There were also decreases in the property improvement fund and sewage treatment fund, which were mostly operational and expected.
- The Village's general receipts are primarily income and property taxes. These receipts represent, respectively, 53 percent and 24 percent of the total cash received for governmental activities during 2015. Income tax receipts in 2015 increased by 5 percent due to the improving state of the general economy. Property tax receipts have remained steady over the last two years.
- The Village's bond rating remains at Aa1 after being upgraded recently from Aa2 by Moody's Investors Service 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.

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 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.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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.

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 2015 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, the Village's funds are expressed as the following:

Governmental Activities – The Village's basic 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.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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, streets construction, maintenance and repair (SCM&R), and the waste water treatment plant expansion funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The Government as a Whole

Table 1 provides a summary of the Village's net position for 2015 compared to 2014 on a cash basis:

| Table 1 Net Position | | | |
|--------------------------------|--------------------|--------------------|--------------------|
| <u>Governmental Activities</u> | | | |
| | <u>2015</u> | <u>2014</u> | <u>Change</u> |
| Assets | | | |
| Cash and Cash Equivalents | \$6,133,074 | \$6,718,656 | (\$585,582) |
| Net Position | | | |
| Restricted: | | | |
| Capital Projects | \$1,287,371 | \$1,184,939 | \$102,432 |
| Debt Service | 316,185 | 386,532 | (70,347) |
| Other Purposes | 856,156 | 940,315 | (84,159) |
| Unrestricted | <u>3,673,362</u> | <u>4,206,870</u> | <u>(533,508)</u> |
| <i>Total Net Position</i> | <u>\$6,133,074</u> | <u>\$6,718,656</u> | <u>(\$585,582)</u> |

Net position of the governmental activities decreased by \$585,582, or 8.7 percent, during 2015. The decrease is due to disbursements outpacing receipts, despite a decrease in disbursements. The decrease in disbursements resulted from marginally decreased disbursements across various cash disbursement categories.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 2 reflects the changes in net position for 2015 compared to 2014 and corresponds to the statement of activities.

Table 2
Changes in Net Position

| | Governmental Activities | | |
|--|----------------------------|---------------------------|---------------------------|
| | 2015 | 2014 | Change |
| Receipts | | | |
| Program Receipts: | | | |
| Charges for Services and Operating Assessments | \$751,388 | \$336,904 | \$414,484 |
| Operating Grants and Contributions | 286,849 | 186,222 | 100,627 |
| Capital Grants and Contributions | 70,000 | 326,846 | (256,846) |
| Total Program Receipts | <u>1,108,237</u> | <u>849,972</u> | <u>258,265</u> |
| General Receipts: | | | |
| Property Taxes | 1,570,921 | 1,593,385 | (22,464) |
| Income Taxes | 3,462,370 | 3,295,392 | 166,978 |
| Grants and Entitlements Not Restricted to Specific Programs | 163,340 | 618,567 | (455,227) |
| Interest | 27,596 | 21,443 | 6,153 |
| Gain on Sale of Capital Assets | 0 | 77,420 | (77,420) |
| Other | 168,311 | 542,836 | (374,525) |
| Total General Receipts | <u>5,392,538</u> | <u>6,149,043</u> | <u>(756,505)</u> |
| Total Receipts | <u>6,500,775</u> | <u>6,999,015</u> | <u>(498,240)</u> |
| Program Disbursements | | | |
| Security of Persons and Property | 2,113,882 | 1,923,897 | 189,985 |
| Public Health Services | 13,014 | 20,237 | (7,223) |
| Community Environment | 291,800 | 383,050 | (91,250) |
| Basic Utility Services | 1,753,674 | 1,797,733 | (44,059) |
| Transportation | 1,143,013 | 1,145,995 | (2,982) |
| General Government | 1,476,018 | 1,572,789 | (96,771) |
| Capital Outlay | 129,745 | 212,709 | (82,964) |
| Principal Retirement | 155,933 | 145,786 | 10,147 |
| Interest and Fiscal Charges | 9,278 | 12,237 | (2,959) |
| Total Disbursements | <u>7,086,357</u> | <u>7,214,433</u> | <u>(128,076)</u> |
| Change in Net Position | (585,582) | (215,418) | (370,164) |
| Net Position Beginning of Year | <u>6,718,656</u> | <u>6,934,074</u> | <u>(215,418)</u> |
| Net Position End of Year | <u><u>\$6,133,074</u></u> | <u><u>\$6,718,656</u></u> | <u><u>(\$585,582)</u></u> |

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Program receipts represented approximately 17 percent of total receipts during 2015 compared to 12 percent in 2014. 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.

General receipts represent 83 percent of the Village's total receipts during 2015, compared to 88 percent during 2014, due to program revenues decreasing relatively proportionately to general receipts. Local municipal income tax and property tax revenues comprise almost 64 percent and 29 percent of the general receipts, respectively, during 2015. General receipts decreased significantly in 2015 due primarily to decreased grants and entitlements, miscellaneous revenues and the absence of any gains on the sale of capital assets.

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, the Village tries 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 lists the major services provided by the Village along with a column identifying the costs of providing these services. Typically, the largest program disbursements for governmental activities are for security of persons and property, which accounted for approximately 30 percent of all cash disbursements for 2015. General government and basic utility services also represent significant disbursements accounting for 21 percent and 25 percent of total cash disbursements for 2015, 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 Receipts (Disbursements) and Changes in Net Position" column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the statement.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|----------------------------------|---------------------------|--------------------|-------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Security of Persons and Property | \$2,113,882 | \$1,923,897 | (\$2,113,882) | (\$1,858,624) |
| Public Health Services | 13,014 | 20,237 | (11,942) | 23,763 |
| Community Environment | 291,800 | 383,050 | (283,459) | (383,050) |
| Basic Utility Services | 1,753,674 | 1,797,733 | (1,317,321) | (1,601,548) |
| Transportation | 1,143,013 | 1,145,995 | (913,057) | (1,084,871) |
| General Government | 1,476,018 | 1,572,789 | (1,113,503) | (1,389,585) |
| Capital Outlay | 129,745 | 212,709 | (59,745) | 87,477 |
| Principal Retirement | 155,933 | 145,786 | (155,933) | (145,786) |
| Interest and Fiscal Charges | 9,278 | 12,237 | (9,278) | (12,237) |
| Total Disbursements | <u>\$7,086,357</u> | <u>\$7,214,433</u> | <u>(\$5,978,120)</u> | <u>(\$6,364,461)</u> |

The Village's Funds

Total governmental funds had receipts of \$6,500,775 and disbursements of \$7,086,357 for 2015. The operations of the Village remained consistent with the preceding fiscal years. During 2015, total receipts decreased, but were partially offset by reductions in expenditures. The Village is carefully monitoring expenditures to ensure that they remain in line with revenues. The general fund showed a reduction of approximately \$0.5 million from 2014 to 2015 due, in part, to transfers made to the police and fire levy, streets construction, maintenance and repair and other governmental funds. The waste water treatment plant expansion fund reflected an increase of \$0.2 million in net position from 2014 to 2015, which will be utilized for future capital improvements to the recently built pump stations.

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 2015, the Village amended its general fund appropriations several times to reflect changing circumstances. Including other financing uses, final disbursements, were budgeted at \$7,293,990, while actual disbursements were \$7,138,529 which includes year-end encumbrances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village spent significantly less than budgeted as demonstrated by the large reported positive variances. Original budgeted disbursements were less than the final budgeted disbursements. Actual disbursements were \$155,461 less than final budgeted disbursements due to lower overhead and support services costs than expected.

Village of Moreland Hills, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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, 2015, the Village's outstanding debt was \$431,235, 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 10 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 Council of Governments while updating its bidding requirements to get the lowest and best prices 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, Ohio
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2015

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$6,133,074</u> |
| Net Position | |
| Restricted for: | |
| Capital Projects | \$1,287,371 |
| Debt Service | 316,185 |
| Other Purposes | 856,156 |
| Unrestricted | <u>3,673,362</u> |
| <i>Total Net Position</i> | <u>\$6,133,074</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

| | Program Cash Receipts | | | Net Receipts (Disbursements) and Changes in Net Position | |
|--------------------------------------|-----------------------|---|--|---|----------------------------|
| | Cash Disbursements | Charges for Services and Operating Assessments | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| Security of Persons and Property | \$2,113,882 | \$0 | \$0 | \$0 | (\$2,113,882) |
| Public Health Services | 13,014 | 1,072 | 0 | 0 | (11,942) |
| Community Environment | 291,800 | 8,341 | 0 | 0 | (283,459) |
| Basic Utility Services | 1,753,674 | 335,405 | 100,948 | 0 | (1,317,321) |
| Transportation | 1,143,013 | 44,055 | 185,901 | 0 | (913,057) |
| General Government | 1,476,018 | 362,515 | 0 | 0 | (1,113,503) |
| Capital Outlay | 129,745 | 0 | 0 | 70,000 | (59,745) |
| Debt Service: | | | | | |
| Principal Retirement | 155,933 | 0 | 0 | 0 | (155,933) |
| Interest and Fiscal Charges | 9,278 | 0 | 0 | 0 | (9,278) |
| <i>Total Governmental Activities</i> | <u>\$7,086,357</u> | <u>\$751,388</u> | <u>\$286,849</u> | <u>\$70,000</u> | <u>(5,978,120)</u> |

General Receipts

| | |
|---------------------------------------|--------------------|
| Property Taxes Levied for: | |
| General Purposes | 807,678 |
| Other Purposes | 680,225 |
| Debt Service | 83,018 |
| Income Taxes Levied for: | |
| General Purposes | 3,462,370 |
| Grants and Entitlements not | |
| Restricted to Specific Programs | 163,340 |
| Interest | 27,596 |
| Miscellaneous | 168,311 |
| <i>Total General Receipts</i> | <u>5,392,538</u> |
| Change in Net Position | (585,582) |
| <i>Net Position Beginning of Year</i> | <u>6,718,656</u> |
| <i>Net Position End of Year</i> | <u>\$6,133,074</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

| | General | Police and Fire Levy | Streets Construction, Maintenance and Repair | Waste Water Treatment Plant Expansion | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------|---|--|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,673,362 | \$148,143 | \$261,850 | \$1,193,965 | \$855,754 | \$6,133,074 |
| Fund Balances | | | | | | |
| Restricted | 0 | 148,143 | 261,850 | 1,193,965 | 748,013 | 2,351,971 |
| Committed | 0 | 0 | 0 | 0 | 107,741 | 107,741 |
| Assigned | 1,722,124 | 0 | 0 | 0 | 0 | 1,722,124 |
| Unassigned | 1,951,238 | 0 | 0 | 0 | 0 | 1,951,238 |
| <i>Total Fund Balances</i> | <u>3,673,362</u> | <u>148,143</u> | <u>261,850</u> | <u>1,193,965</u> | <u>855,754</u> | <u>6,133,074</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$3,673,362</u> | <u>\$148,143</u> | <u>\$261,850</u> | <u>\$1,193,965</u> | <u>\$855,754</u> | <u>\$6,133,074</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

| | General | Police and Fire Levy | Streets Construction, Maintenance and Repair | Waste Water Treatment Plant Expansion | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------|---|--|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Municipal Income Taxes | \$3,462,370 | \$0 | \$0 | \$0 | \$0 | \$3,462,370 |
| Property and Other Local Taxes | 807,678 | 618,344 | 0 | 0 | 144,899 | 1,570,921 |
| Charges for Services | 11,594 | 0 | 0 | 0 | 10,078 | 21,672 |
| Fines, Licenses and Permits | 251,968 | 0 | 20,604 | 33,000 | 25 | 305,597 |
| Intergovernmental | 151,641 | 92,064 | 148,725 | 0 | 127,759 | 520,189 |
| Special Assessments | 0 | 0 | 10,689 | 206,647 | 206,783 | 424,119 |
| Interest | 25,418 | 0 | 1,486 | 0 | 692 | 27,596 |
| Miscellaneous | 162,228 | 1,287 | 0 | 0 | 4,796 | 168,311 |
| <i>Total Receipts</i> | <u>4,872,897</u> | <u>711,695</u> | <u>181,504</u> | <u>239,647</u> | <u>495,032</u> | <u>6,500,775</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 0 | 1,906,410 | 0 | 0 | 207,472 | 2,113,882 |
| Public Health Services | 13,014 | 0 | 0 | 0 | 0 | 13,014 |
| Community Environment | 101,193 | 0 | 0 | 0 | 190,607 | 291,800 |
| Basic Utility Services | 1,438,210 | 0 | 0 | 0 | 315,464 | 1,753,674 |
| Transportation | 154,842 | 0 | 628,640 | 0 | 359,531 | 1,143,013 |
| General Government | 1,473,946 | 0 | 0 | 2,072 | 0 | 1,476,018 |
| Capital Outlay | 0 | 100,717 | 0 | 0 | 29,028 | 129,745 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 155,933 | 155,933 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 9,278 | 9,278 |
| <i>Total Disbursements</i> | <u>3,181,205</u> | <u>2,007,127</u> | <u>628,640</u> | <u>2,072</u> | <u>1,267,313</u> | <u>7,086,357</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,691,692</u> | <u>(1,295,432)</u> | <u>(447,136)</u> | <u>237,575</u> | <u>(772,281)</u> | <u>(585,582)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 0 | 1,250,000 | 460,000 | 0 | 515,200 | 2,225,200 |
| Transfers Out | (2,225,200) | 0 | 0 | 0 | 0 | (2,225,200) |
| Advances In | 10,000 | 0 | 0 | 0 | 10,000 | 20,000 |
| Advances Out | (10,000) | 0 | 0 | 0 | (10,000) | (20,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,225,200)</u> | <u>1,250,000</u> | <u>460,000</u> | <u>0</u> | <u>515,200</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | <u>(533,508)</u> | <u>(45,432)</u> | <u>12,864</u> | <u>237,575</u> | <u>(257,081)</u> | <u>(585,582)</u> |
| <i>Fund Balance Beginning of Year</i> | <u>4,206,870</u> | <u>193,575</u> | <u>248,986</u> | <u>956,390</u> | <u>1,112,835</u> | <u>6,718,656</u> |
| <i>Fund Balance End of Year</i> | <u>\$3,673,362</u> | <u>\$148,143</u> | <u>\$261,850</u> | <u>\$1,193,965</u> | <u>\$855,754</u> | <u>\$6,133,074</u> |

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
General Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| Receipts | | | | |
| Municipal Income Taxes | \$2,996,539 | \$2,996,539 | \$3,462,370 | \$465,831 |
| Property and Other Local Taxes | 841,911 | 841,911 | 807,678 | (34,233) |
| Charges for Services | 10,034 | 10,034 | 11,594 | 1,560 |
| Fines, Licenses and Permits | 218,068 | 218,068 | 251,968 | 33,900 |
| Intergovernmental | 131,239 | 131,239 | 151,641 | 20,402 |
| Interest | 21,998 | 21,998 | 25,418 | 3,420 |
| Miscellaneous | 140,402 | 140,402 | 162,228 | 21,826 |
| <i>Total Receipts</i> | <u>4,360,191</u> | <u>4,360,191</u> | <u>4,872,897</u> | <u>512,706</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Health Services | 20,237 | 20,237 | 13,014 | 7,223 |
| Community Environment | 113,881 | 113,881 | 108,955 | 4,926 |
| Basic Utility Services | 1,813,957 | 1,813,957 | 1,739,647 | 74,310 |
| Transportation | 170,023 | 170,023 | 154,842 | 15,181 |
| General Government | 2,485,052 | 2,926,892 | 2,886,871 | 40,021 |
| <i>Total Disbursements</i> | <u>4,603,150</u> | <u>5,044,990</u> | <u>4,903,329</u> | <u>141,661</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(242,959)</u> | <u>(684,799)</u> | <u>(30,432)</u> | <u>654,367</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (2,239,000) | (2,239,000) | (2,225,200) | 13,800 |
| Advances In | 0 | 0 | 10,000 | 10,000 |
| Advances Out | (10,000) | (10,000) | (10,000) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,249,000)</u> | <u>(2,249,000)</u> | <u>(2,225,200)</u> | <u>23,800</u> |
| <i>Net Change in Fund Balance</i> | <u>(2,491,959)</u> | <u>(2,933,799)</u> | <u>(2,255,632)</u> | <u>678,167</u> |
| <i>Fund Balance Beginning of Year</i> | 2,747,721 | 2,747,721 | 2,747,721 | 0 |
| Prior Year Encumbrances Appropriated | 1,459,149 | 1,459,149 | 1,459,149 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$1,714,911</u> | <u>\$1,273,071</u> | <u>\$1,951,238</u> | <u>\$678,167</u> |

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 and Fire Levy Fund
For the Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$701,593 | \$701,593 | \$618,344 | (\$83,249) |
| Intergovernmental | 443,796 | 443,796 | 92,064 | (351,732) |
| Miscellaneous | 6,204 | 6,204 | 1,287 | (4,917) |
| <i>Total Receipts</i> | <u>1,151,593</u> | <u>1,151,593</u> | <u>711,695</u> | <u>(439,898)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,913,595 | 1,971,500 | 1,936,288 | 35,212 |
| Capital Outlay | 135,311 | 139,405 | 100,717 | 38,688 |
| <i>Total Disbursements</i> | <u>2,048,906</u> | <u>2,110,905</u> | <u>2,037,005</u> | <u>73,900</u> |
| <i>Excess of Receipts Under Disbursements</i> | (897,313) | (959,312) | (1,325,310) | (365,998) |
| Other Financing Sources | | | | |
| Transfers In | 650,000 | 850,000 | 1,250,000 | 400,000 |
| <i>Net Change in Fund Balance</i> | (247,313) | (109,312) | (75,310) | 34,002 |
| <i>Fund Balance Beginning of Year</i> | 187,490 | 187,490 | 187,490 | 0 |
| Prior Year Encumbrances Appropriated | 6,085 | 6,085 | 6,085 | 0 |
| <i>Fund Balance (Deficit) End of Year</i> | <u>(\$53,738)</u> | <u>\$84,263</u> | <u>\$118,265</u> | <u>\$34,002</u> |

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
Streets Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2015*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Fines, Licenses and Permits | \$39,732 | \$28,381 | \$20,604 | (\$7,777) |
| Intergovernmental | 286,791 | 204,851 | 148,725 | (56,126) |
| Special Assessments | 20,612 | 14,723 | 10,689 | (4,034) |
| Interest | 2,866 | 2,047 | 1,486 | (561) |
| <i>Total Receipts</i> | 350,001 | 250,002 | 181,504 | (68,498) |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 851,922 | 766,922 | 759,689 | 7,233 |
| <i>Excess of Receipts Under Disbursements</i> | (501,921) | (516,920) | (578,185) | (61,265) |
| Other Financing Sources | | | | |
| Transfers In | 0 | 380,000 | 460,000 | 80,000 |
| <i>Net Change in Fund Balance</i> | (501,921) | (136,920) | (118,185) | 18,735 |
| <i>Fund Balance Beginning of Year</i> | 165,078 | 165,078 | 165,078 | 0 |
| Prior Year Encumbrances Appropriated | 83,908 | 83,908 | 83,908 | 0 |
| <i>Fund Balance (Deficit) End of Year</i> | <u>(\$252,935)</u> | <u>\$112,066</u> | <u>\$130,801</u> | <u>\$18,735</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Statement of Fiduciary Assets and Liabilities - Cash Basis
Agency Funds
December 31, 2015

| | <u>Agency</u> |
|--|------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalent: | <u>\$155,044</u> |
| Liabilities | |
| Held in Trust for Deposits/Unclaimed Funds | |
| Nonexpendable | <u>\$155,044</u> |

See accompanying notes to the basic financial statements

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Description of the Village and 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.

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 four jointly governed organizations. Note 13 to the financial statements provides additional information for these entities. These organizations are:

Chagrin Valley Dispatch Council – The Chagrin Valley Dispatch Council (the Council) is a council of governments that oversees police, fire, and emergency dispatch services. The Council gives each participating community a voice in how the dispatch services are operated.

Chagrin/Southeast Council of Governments – The Chagrin/Southeast Council of Governments is a council of governments that oversees the handling of hazardous materials in the region.

Northeast Ohio Public Energy Council – The Northeast Ohio Public Energy Council 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.

Suburban Water Regional Council of Governments – The Suburban Water Regional Council of Governments is a council of governments formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Valley Enforcement Regional Council of Governments – The Valley Enforcement Regional Council of Governments is a council of governments formed 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.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2 – Basis of Accounting, 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. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program activity 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 in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. 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:

General Fund The general fund is used to account for and report all financial resources, except those required to be accounted for and reported 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.

Police and Fire Levy Fund The police and fire levy special revenue fund is used to account for and report revenues from real estate tax, homestead and rollback and personal property tax money restricted for police, fire, and emergency medical services for the Village.

Streets Construction, Maintenance and Repair Fund The streets construction, maintenance and repair special revenue fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Waste Water Treatment Plant Expansion Fund The waste water treatment plant expansion capital projects fund accounts for and reports a portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village's waste water systems and pump stations.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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 and Unclaimed Funds.

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.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Budgetary Process

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established 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 Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

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 2015, the Village invested in federal farm credit bank notes, municipal debt and STAR Ohio. All Village investments are reported at cost.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2015.

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 2015 was \$25,418. Interest was also allocated to the streets construction, maintenance and repair fund and other governmental funds in the amounts of \$1,486 and \$692, respectively.

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.

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 their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 a 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 street and state highway improvements and federal and state grants restricted to cash disbursements for specified purposes. The Village's policy is to first apply restricted resources when an obligation 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 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.

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, as both are equally legally binding) 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.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. State statute authorizes the fiscal officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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 statements of receipt, disbursements, and changes in fund balance – budget and actual – budgetary basis presented for the general fund, street maintenance fund, and street levy 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 and are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at December 31, 2015 (budgetary basis) amounted to \$1,722,124, \$29,877, \$131,049 and \$209,750 to the general, police and fire levy, streets construction, maintenance and repair and other governmental funds, respectively.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits.

The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution. At December 31, 2015, the Village had a bank balance of \$3,899,765. Of this bank balance, \$3,146,314 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name.

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, 2015, the Village had the following investments:

| <u>Investment</u> | <u>Value</u> | <u>Maturity</u> |
|--------------------------------|---------------------------|------------------|
| Federal Farm Credit Bank Notes | \$250,000 | Less than 1 Year |
| Federal Farm Credit Bank Notes | 500,000 | 1-2 Years |
| Municipal Bonds | 400,000 | Less than 1 Year |
| Municipal Bonds | 250,000 | 2-3 Years |
| STAR Ohio | <u>1,058,618</u> | 49.4 Days |
| | <u><u>\$2,458,618</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.

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Credit Risk The federal farm credit bank notes carry a rating of AA+ by Standard and Poor's. The municipal bonds are unrated. STAR Ohio 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 STAR Ohio 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 Ohio Rev. Code §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, 2015:

| <u>Investment</u> | <u>Percentage</u> |
|--------------------------------|-------------------|
| Federal Farm Credit Bank Notes | 30.50 % |
| Municipal Bonds | 26.44 |

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.

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Note 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax receipts received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits 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. 2015 public utility property taxes which became a lien on December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$7.30 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2015 property tax receipts were based are as follows:

| | 2015 | 2014 |
|-------------------------|---------------|---------------|
| Real Property | \$235,120,300 | \$235,614,750 |
| Other Real Estate | 7,034,590 | 7,060,810 |
| Public Utility Property | 2,293,840 | 2,182,780 |
| Total Assessed Value | \$244,448,730 | \$244,858,340 |

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 – 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 2015, the Village contracted with several companies for various types of insurance coverage as follows:

| Type of Coverage | 2015 Coverage | 2014 Coverage | Deductible |
|--|---------------|---------------|------------|
| Wichert Insurance: | | | |
| Blanket Property and Contents, Replacement | \$9,554,479 | \$9,313,669 | \$1,000 |
| General Liability | 2,000,000 | 2,000,000 | 1,000 |
| Automobile Liability | 1,000,000 | 1,000,000 | 250 |
| Public Officials Liability | 1,000,000 | 1,000,000 | 5,000 |
| Police Professional Liability | 1,000,000 | 1,000,000 | 2,500 |
| Employee Benefits | 1,000,000 | 1,000,000 | 1,000 |
| Umbrella Excess Liability | 10,000,000 | 10,000,000 | 0 |

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Settled claims have not exceeded this commercial coverage in any of the past 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, married, and family coverage.

Note 8 - Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>State and Local</u> | <u>Public Safety</u> | <u>Law Enforcement</u> |
|--|----------------------------|--------------------------|----------------------------|
| 2015 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | * | ** |
| 2015 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 12.0 % | 16.1 % | 16.1 % |
| Post-employment Health Care Benefits | 2.0 | 2.0 | 2.0 |
| Total Employer | <u>14.0 %</u> | <u>18.1 %</u> | <u>18.1 %</u> |
| Employee | <u>10.0 %</u> | <u>12.0 %</u> | <u>13.0 %</u> |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$165,064 for year 2015.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|--|---------|--------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$204,311 for 2015.

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Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional 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 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>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate 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 postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2015.

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 the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2015, 2014, and 2013 was \$23,581, \$4,775, and \$39,087, respectively. The full amount has been contributed all years.

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Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the 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 contribution toward the health care fund after the end of the transition period.

Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF 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 premium reimbursements administered 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 OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution 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 OPF Board of Trustees is also 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.

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The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$5,239 for the year ended December 31, 2015, \$23,712 for the year ended December 31, 2014, and \$11,280 for the year ended December 31, 2013. The full amount has been contributed for all years.

Note 10 – Long-Term Obligations

| Debt Issue | Rate | Issue Amount | Maturity |
|--------------------------------------|--------|--------------|-----------|
| <i>Governmental Activities:</i> | | | |
| 2011 Various Purpose Refunding Bonds | 2.25 % | \$765,000 | 12/1/2016 |
| 2007 OPWC Loan | 1.00 | 252,719 | 7/1/2027 |
| 2009 OPWC Loan | 0.00 | 121,865 | 1/1/2030 |
| 2013 OPWC Loan | 1.00 | 55,293 | 7/1/2033 |

| | Balance 12/31/14 | Increase | Decrease | Balance 12/31/15 | Amounts Due In One Year |
|--------------------------------------|---------------------|------------|--------------------|---------------------|----------------------------|
| <i>Governmental Activities</i> | | | | | |
| 2011 Various Purpose Refunding Bonds | \$270,000 | \$0 | (\$135,000) | \$135,000 | \$135,000 |
| 2007 OPWC Loan | 169,941 | 0 | (12,304) | 157,637 | 12,428 |
| 2009 OPWC Loan | 94,445 | 0 | (6,093) | 88,352 | 6,093 |
| 2013 OPWC Loan | 52,782 | 0 | (2,536) | 50,246 | 2,561 |
| <i>Total Governmental Activities</i> | <u>\$587,168</u> | <u>\$0</u> | <u>(\$155,933)</u> | <u>\$431,235</u> | <u>\$156,082</u> |

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

The Village currently has three 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 2013 OPWC Loan relates to the Jackson Valley Wastewater Treatment Plant Improvements. This loan will be repaid in semiannual installments, including interest, over 20 years. The loan will be repaid from property tax receipts.

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The following is a summary of the Village's future annual principal and interest requirements for debt:

| Year | 2011 Various Purpose Refunding Bonds | | 2007 OPWC Loan | |
|-----------|---|----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$135,000 | \$3,713 | \$12,428 | \$1,545 |
| 2017 | 0 | 0 | 12,552 | 1,421 |
| 2018 | 0 | 0 | 12,678 | 1,295 |
| 2019 | 0 | 0 | 12,805 | 1,168 |
| 2020 | 0 | 0 | 12,934 | 1,040 |
| 2021-2025 | 0 | 0 | 66,639 | 3,227 |
| 2026-2030 | 0 | 0 | 27,601 | 346 |
| 2031-2033 | 0 | 0 | 0 | 0 |
| Totals | <u>\$135,000</u> | <u>\$3,713</u> | <u>\$157,637</u> | <u>\$10,042</u> |

| Year | 2009 OPWC Loan | | 2013 OPWC Loan | |
|-----------|-----------------|------------|-----------------|----------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$6,093 | \$0 | \$2,561 | \$496 |
| 2017 | 6,093 | 0 | 2,587 | 470 |
| 2018 | 6,093 | 0 | 2,613 | 444 |
| 2019 | 6,093 | 0 | 2,639 | 418 |
| 2020 | 6,093 | 0 | 2,665 | 392 |
| 2021-2025 | 30,466 | 0 | 13,733 | 1,553 |
| 2026-2030 | 27,421 | 0 | 14,435 | 851 |
| 2031-2033 | 0 | 0 | 9,013 | 158 |
| Totals | <u>\$88,352</u> | <u>\$0</u> | <u>\$50,246</u> | <u>\$4,782</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, 2015 was an overall debt margin of \$25,848,302 and an unvoted debt margin of \$13,625,865.

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Note 11 – 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 as follows:

| Fund Balances | General | Police and Fire Levy | Streets Construction, Maintenance and Repair | Waste Water Treatment Plant Expansion | Other Governmental Funds | Total |
|--|---------------------------|-------------------------|---|--|--------------------------------|---------------------------|
| <u>Restricted to:</u> | | | | | | |
| Road Improvements | \$0 | \$0 | \$261,850 | \$0 | \$164,351 | \$426,201 |
| Police Operations | 0 | 148,143 | 0 | 0 | 0 | 148,143 |
| Drug and Alcohol Education and Enforcement | 0 | 0 | 0 | 0 | 240 | 240 |
| Police Pension | 0 | 0 | 0 | 0 | 575 | 575 |
| Community Diversion Program | 0 | 0 | 0 | 0 | 6,804 | 6,804 |
| Law Enforcement Trust | 0 | 0 | 0 | 0 | 8,929 | 8,929 |
| R U OK Fund | 0 | 0 | 0 | 0 | 1,000 | 1,000 |
| POC Grant Fund | 0 | 0 | 0 | 0 | 34,072 | 34,072 |
| Debt Service | 0 | 0 | 0 | 0 | 316,185 | 316,185 |
| Sewage Treatment System | 0 | 0 | 0 | 0 | 215,857 | 215,857 |
| WWTP Expansion | 0 | 0 | 0 | 1,193,965 | 0 | 1,193,965 |
| <i>Total Restricted</i> | <u>0</u> | <u>148,143</u> | <u>261,850</u> | <u>1,193,965</u> | <u>748,013</u> | <u>2,351,971</u> |
| <u>Committed to:</u> | | | | | | |
| Emergency Ambulance | 0 | 0 | 0 | 0 | 3,807 | 3,807 |
| Water Maintenance and Repair | 0 | 0 | 0 | 0 | 10,528 | 10,528 |
| Property Improvement and Additions | 0 | 0 | 0 | 0 | 46,364 | 46,364 |
| Other Capital Projects | 0 | 0 | 0 | 0 | 47,042 | 47,042 |
| <i>Total Committed</i> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>107,741</u> | <u>107,741</u> |
| <u>Assigned to:</u> | | | | | | |
| Purchases on Order | 1,722,124 | 0 | 0 | 0 | 0 | 1,722,124 |
| Unassigned | 1,951,238 | 0 | 0 | 0 | 0 | 1,951,238 |
| Total Fund Balances | <u><u>\$3,673,362</u></u> | <u><u>\$148,143</u></u> | <u><u>\$261,850</u></u> | <u><u>\$1,193,965</u></u> | <u><u>\$855,754</u></u> | <u><u>\$6,133,074</u></u> |

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Notes to the Basic Financial Statements
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Note 12 – Interfund Transactions

Interfund Transfers

During 2015, the Village made the following transfers:

| <u>Transfers To</u> | <u>Transfers From General Fund</u> |
|--|--|
| Police and Fire Levy | \$1,250,000 |
| Streets Construction, Maintenance and Repair | 460,000 |
| Other Governmental Funds | <u>515,200</u> |
| Total | <u><u>\$2,225,200</u></u> |

Transfers represent the allocation of unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or the extinguishing of funds being closed into the general fund.

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

Interfund Advances

During 2015, the general fund advanced \$10,000 to the sewage treatment fund. The sewage treatment fund repaid the advance back to the general fund in 2015. This temporary advance was to support operations of the treatment plants until special assessment revenues were received from the County.

Note 13 – Jointly Governed Organizations

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVDC), a jointly governed organization. CVDC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. CVDC was formed to promote cooperative arrangements and coordinate action in matters relating to the dispatch of public safety services and the operation of a communications center. During 2015, the Village contributed \$94,653 for 2015 and \$113,584 for 2016 in advance to CVDC. Both payments were for dispatch services and other emergency related fees (Reverse 911). Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio, 44141.

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments (the Council). The Council operates the Chagrin/Southeast HazMat Response Team (the Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team. During 2015, the Village contributed \$3,500 to the Council. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio, 44139.

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 2015. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Suburban Water Regional Council of Governments

The Village is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the Village of Moreland Hills with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 70 communities. SWRCOG's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The Village did not make any payments to SWRCOG during 2015. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

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

Village of Moreland Hills, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four 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 2015, the Village contributed \$7,000 to VERCOG each year. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio, 44124.

Note 14 – Public Entity Risk Pool

The Village used to participate in the Ohio Municipal League Group Rating Plan but currently is not a member of any group rating programs.

Note 15 – Related Party Transactions

The Village contracted with Chagrin Valley Engineering, Ltd. to provide services in connection with the construction of public improvements. The Village Engineer is an employee of Chagrin Valley Engineering, Ltd. During 2015, the Village paid \$126,535 to 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 2015, the Village paid \$3,000 to Colleen Fritz.

Note 16 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

| | |
|--|---------------------------|
| General | \$1,722,124 |
| Police and Fire Levy | 29,877 |
| Streets Construction, Maintenance and Repair | 131,049 |
| Other Governmental Funds | <u>209,750</u> |
| Total | <u><u>\$2,092,800</u></u> |



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 cash basis 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 2, 2017, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

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

August 2, 2017

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Financial Reporting – Material Weakness

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.

The following weaknesses were noted and subsequent adjustments made by the Village to its financial statements and, where applicable, accounting system, for 2015:

- Property and Other Local Tax receipts in the General Fund and Property Taxes Levied for General Purposes in the Governmental Activities were overstated by \$17,191;
- Special Assessment receipts were overstated by \$36, \$878 and \$878, in the Village's SCM&R, WWTP and Other Governmental Funds, as well as Charges for Services and Operating Assessments - Transportation receipts, Charges for Services and Operating Assessments Basic Utility Services - receipts, and Charges for Services and Operating Receipts - General Government, respectively;
- Operating Grants and Contributions - Transportation receipts in the Governmental Activities and Intergovernmental receipts in the General Fund were overstated by \$147;
- Basic Utility Services cash disbursements were overstated by \$1,184 in the Village's Governmental Activities and Other Governmental Funds, respectively. Transportation cash disbursements were overstated by \$48 in the Village's Governmental Activities and SCM&R funds, respectively. General Government cash disbursements were overstated by \$16,420 in the Village's Governmental Activities and General Fund, and \$1,184 in the Village's Governmental Activities and WWTP fund, respectively;
- Fund balance at December 31, 2015 was overstated in the General Fund by \$624, and understated in the SCM&R, WWTP and Other Governmental Funds by \$12, \$306 and \$306, respectively; and
- Encumbrances were not properly accounted for in the Village's budget basis statements, resulting in actual disbursements being understated in its General Fund Community Environment disbursements, General Fund Basic Utility Services disbursements, General Fund General Government disbursements, Police and Fire Levy Fund Security of Persons and Property disbursements, and Street, Construction, Maintenance and Repair Fund Transportation disbursements in the amounts of \$7,762, \$301,437, \$1,412,925, \$29,878, and \$131,049, respectively.

The lack of controls over the posting of financial transactions and financial reporting resulted in errors and mispostings that required adjustments to be made by the Village.

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

Officials' Response: We did not receive a response from Officials to this finding.

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2016-002

Summary Schedule of Prior Audit Findings – Material Weakness

The Village is required to follow-up on any reportable deficiencies noted in its prior audit and report the status of these matters in a prior audit schedule of findings in the current audit. In the report for fiscal years 2013 and 2014, a finding regarding financial reporting was issued. The Village indicated this matter has been corrected in its prior audit schedule of findings for fiscal years 2015 and 2016. However, as noted in Finding Number 2016-001, this matter has not been corrected, and thus, the Village misrepresented the status of this issue. Failure to accurately prepare its prior audit schedule of findings may result in a lack of reliance on the Village's disclosures.

We recommend the Village follow-up on all prior audit findings and accurately indicate the status of their corrective actions when preparing its prior audit schedule of findings.

Officials' Response: We did not receive a response from Officials to this finding.

VILLAGE OF MORELAND HILLS
CUYAHOGA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|------------------------|---------------------|---|
| 2014-001 | Financial Reporting | Partially Corrected | The Village properly presented major funds for 2016 and 2015. |

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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
AUGUST 22, 2017