



**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2003**



**Auditor of State  
Betty Montgomery**



VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2003.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Year Findings.....	17

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Moreland Hills  
Cuyahoga County  
4350 SOM Center Road  
Moreland Hills, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Moreland Hills, Cuyahoga County, Ohio, as of December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 1, 2004

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$3,240,729	\$458,789	\$112,213	\$0	\$3,811,731
Special Assessment	0	0	136,699	206,186	342,885
Intergovernmental Receipts	211,771	165,014	14,941	872,214	1,263,940
Charges for Services	71,521	45,983	0	0	117,504
Fines, Licenses, and Permits	20,068	15,350	0	123,000	158,418
Earnings on Investments	78,545	1,719	0	19,045	99,309
Miscellaneous	79,650	600	0	0	80,250
	<u>3,702,284</u>	<u>687,455</u>	<u>263,853</u>	<u>1,220,445</u>	<u>5,874,037</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	886,085	514,624	0	0	1,400,709
Public Health Services	12,039	3,071	0	0	15,110
Community Environment	78,112	0	0	0	78,112
Basic Utility Services	719,259	11,349	0	0	730,608
Transportation	88,764	605,570	0	0	694,334
General Government	1,100,225	0	0	0	1,100,225
Debt Service:					
Principal Payments	0	0	125,000	0	125,000
Interest Payments	0	0	89,662	0	89,662
Capital Outlay	0	0	0	1,089,742	1,089,742
	<u>2,884,484</u>	<u>1,134,614</u>	<u>214,662</u>	<u>1,089,742</u>	<u>5,323,502</u>
<b>Total Cash Disbursements</b>					
Total Receipts Over/(Under) Disbursements	<u>817,800</u>	<u>(447,159)</u>	<u>49,191</u>	<u>130,703</u>	<u>550,535</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	457,111	0	218,040	675,151
Transfers-Out	(625,360)	(45,000)	0	(4,791)	(675,151)
Advances-In	1,238,500	0	0	231,085	1,469,585
Advances-Out	(231,085)	0	0	(1,238,500)	(1,469,585)
	<u>382,055</u>	<u>412,111</u>	<u>0</u>	<u>(794,166)</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,199,855	(35,048)	49,191	(663,463)	550,535
Fund Cash Balances, January 1, 2003	637,881	1,092,483	181,954	3,648,399	5,560,717
<b>Fund Cash Balances, December 31, 2003</b>	<u><b>\$1,837,736</b></u>	<u><b>\$1,057,435</b></u>	<u><b>\$231,145</b></u>	<u><b>\$2,984,936</b></u>	<u><b>\$6,111,252</b></u>
Reserves for Encumbrances, December 31, 2003	<u>\$73,382</u>	<u>\$73,628</u>	<u>\$0</u>	<u>\$148,545</u>	<u>\$295,555</u>

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

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Special Assessments	\$228,536	\$0	\$228,536
Earnings on Investments	1,557	0	1,557
Total Operating Cash Receipts	<u>230,093</u>	<u>0</u>	<u>230,093</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	67,757	0	67,757
Contractual Services	35,991	0	35,991
Supplies and Materials	110,224	0	110,224
Capital Outlay	98,828	0	98,828
Total Operating Cash Disbursements	<u>312,800</u>	<u>0</u>	<u>312,800</u>
Operating Income/(Loss)	<u>(82,707)</u>	<u>0</u>	<u>(82,707)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	0	30,984	30,984
Total Non-Operating Cash Receipts	<u>0</u>	<u>30,984</u>	<u>30,984</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	0	29,241	29,241
Total Non-Operating Cash Disbursements	<u>0</u>	<u>29,241</u>	<u>29,241</u>
Excess of Receipts Over/(Under) Disbursements	<u>(82,707)</u>	<u>1,743</u>	<u>(80,964)</u>
Fund Cash Balances, January 1, 2003	<u>141,139</u>	<u>75,284</u>	<u>216,423</u>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u>\$58,432</u></b>	<b><u>\$77,027</u></b>	<b><u>\$135,459</u></b>
Reserve for Encumbrances, December 31, 2003	<u>\$30,021</u>	<u>\$0</u>	<u>\$30,021</u>

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



**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including road maintenance, rubbish collections, sanitary/storm sewer facilities, building inspections, zoning, police services and safety services. The Village contracts with the Village of Chagrin Falls to provide fire protection and ambulance services. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"), a jointly governed organization. NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of utilities. NOPEC is currently comprised of 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 of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC in 2003. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 1615 Clark Avenue, Cleveland, Ohio 44109.

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

**3. Debt Service Funds**

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

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

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

**4. Capital Project Funds**

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

*Route 91/Miles Road Fund* - This fund receives proceeds from the Ohio Public Works Commission grant and advances. The proceeds are being used for the project that will widen the intersection at Rt. 91 and Miles Road.

*Jackson Road Fund* – This fund receives proceeds from the Ohio Public Works Commission grant and advances. The proceeds are being used for the resurfacing of Jackson Road.

VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)

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

**D. Fund Accounting (Continued)**

**5. Enterprise Fund**

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

*Sewer Treatment Systems Fund* - This fund receives special assessments from residents to cover the cost of providing this utility.

**6. Fiduciary Fund Type (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Significant Fiduciary Fund:

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of the 2003 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003
Demand deposits	\$151,016
Total deposits	151,016
U.S. Government Securities	3,000,000
STAR Ohio	3,011,695
Repurchase agreement - Sweep Account	84,000
Total investments	6,095,695
Total deposits and investments	\$6,246,711

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended 2003 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,256,170	\$3,702,284	(\$553,886)
Special Revenue	2,425,906	1,144,566	(1,281,340)
Debt Service	315,613	263,853	(51,760)
Capital Projects	1,400,211	1,438,485	38,274
Enterprise	240,000	230,093	(9,907)
Agency	2,000	30,984	28,984
Total	\$8,639,900	\$6,810,265	(\$1,829,635)

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,510,539	\$3,583,226	\$927,313
Special Revenue	1,414,914	1,253,242	161,672
Debt Service	218,359	214,662	3,697
Capital Projects	2,482,527	1,243,078	1,239,449
Enterprise	370,897	342,821	28,076
Agency	35,000	29,241	5,759
Total	<u>\$9,032,236</u>	<u>\$6,666,270</u>	<u>\$2,365,966</u>

During our mid-year testing, July 31, 2003, the following funds had deficits in violation of Section 5705.10, Ohio Revised Code:

**Special Revenue Fund:**

Police Firing Range \$ 6,698

**Capital Project Funds:**

Route 91/Miles Road \$379,866  
Hiram Trail 337,183  
Jackson Road Resurfacing 390,585

**Enterprise Fund:**

Sewer Treatment System \$ 9,957

These negative fund balances were corrected by December 31, 2003, through advances from the General Fund.

During our mid-year testing, July 31, 2003, the following funds had total appropriations in excess of estimated resources in violation of Section 5705.39, Ohio Revised Code:

	Estimated Revenues Plus Carryover Balance	Appropriations	Excess
<b>General Fund</b>	\$3,839,231	\$4,376,964	\$537,733
<b>Special Revenue Funds:</b>			
Police Pension	107,665	150,750	43,085
Police Firing Range	5,239	15,102	9,863
Data Access	0	13,200	13,200
Water Maintenance & Repair	11,140	13,000	1,860
<b>Enterprise Fund:</b>			
Sewer Treatment Plant	240,990	396,748	155,758

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

	Estimated Revenues Plus Carryover Balance	Appropriations	Excess
<b>Capital Project Funds:</b>			
Route 91/Miles Road	\$114	\$520,500	\$ 520,386
Hiram Trail	33	337,000	336,967
Jackson Road Resurfacing	694	436,000	435,306

These excesses were corrected by December 31, 2003.

**4. PROPERTY TAX**

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

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

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

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

**5. LOCAL INCOME TAX**

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

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

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
1989 Street Improvement Bonds	\$265,000	6-7.5%
1998 Various Purpose Improvement Bonds	1,205,000	4.55 and 5.125%
Total	\$1,470,000	

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**6. DEBT (Continued)**

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

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

Year ending December 31:	Street Improvement	Various Purpose Improvement	Total
2004	\$54,750	\$109,859	\$164,609
2005	57,125	112,584	169,709
2006	59,125	115,082	174,207
2007	55,750	117,351	173,101
2008	57,375	149,394	206,769
2009-2013	53,625	571,550	625,175
2014-2018		567,131	567,131
Total	<u>\$337,750</u>	<u>\$1,742,951</u>	<u>\$2,080,701</u>

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**9. ENGINEERING SERVICES**

The Village contracted with Chagrin Valley Engineering, Ltd. to provide services in connection with the construction of public improvements. The Village Engineer is an employee of Chagrin Valley Engineering, Ltd. During 2003, the Village paid \$117,197 to Chagrin Valley Engineering, Ltd.





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Moreland Hills  
Cuyahoga County  
4350 SOM Center Road  
Moreland Hills, Ohio 44022

To the Village Council:

We have audited the financial statements of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 1, 2004.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 1, 2004.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 1, 2004

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

<b>Finding Number</b>	<b>2003-001</b>
-----------------------	-----------------

Ohio Revised Code Section 5705.39 states, total appropriations should not exceed total estimated revenue.

During our mid-year testing, July 31, 2003, the following funds had total appropriations in excess of estimated resources in violation of Section 5705.39, Ohio Revised Code:

	<b>Estimated Revenues Plus Carryover Balance</b>	<b>Appropriations</b>	<b>Excess</b>
<b>General Fund</b>	\$3,839,231	\$4,376,964	\$537,733
<b>Special Revenue Funds:</b>			
Police Pension	107,665	150,750	43,085
Police Firing Range	5,239	15,102	9,863
Data Access	0	13,200	13,200
Water Maintenance & Repair	11,140	13,000	1,860
<b>Enterprise Fund:</b>			
Sewer Treatment Plant	240,990	396,748	155,758
<b>Capital Project Funds:</b>			
Route 91/Miles Road	114	520,500	520,386
Hiram Trail	33	337,000	336,967
Jackson Road Resurfacing	694	436,000	435,306

These variances were corrected by December 31, 2003.

We recommend the Village not appropriate in excess of its estimated revenues and make adjustments, as appropriate, to the certificate and/or the appropriations throughout the year to ensure compliance with the above requirement.

VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

Finding Number	2003-002
----------------	----------

Ohio Revised Code Section 5705.10 states, in part, money paid into any fund shall be used only for purposes for which the fund is established.

During our mid-year testing, July 31, 2003, the following funds had deficits in violation of Section 5705.10, Ohio Revised Code:

<b>Special Revenue Fund:</b>	
Police Firing Range	\$ 6,698
<b>Capital Project Funds:</b>	
Route 91/Miles Road	\$379,866
Hiram Trail	337,183
Jackson Road Resurfacing	390,585
<b>Enterprise Fund:</b>	
Sewer Treatment System	\$ 9,957

These negative fund balances were corrected by December 31, 2003, through advances from the General Fund.

We recommend that the Village take the appropriate measures to ensure negative cash fund balances do not exist throughout the year.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-30818-001	ORC 5705.39 Appropriations exceeding Estimated Revenue – Mid Year	Not Corrected	Comment reissued as 2003-001
2002-30818-002	ORC 5705.10 Fund Deficit – Mid Year	Not Corrected	Comment reissued as 2003-002





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MAY 20, 2004**