



**Merger/Shared Services Study for the Village of  
Moreland Hills, Orange Village, the City of Pepper  
Pike, and the Village of Woodmere**

Application to the Local Government Innovation Fund  
Ohio Department of Development  
State of Ohio

March 1, 2012  
Cuyahoga County  
County Executive Edward FitzGerald

# Table of Contents

## **Tab 1: Contact Information**

Main Applicant  
Cuyahoga County Contact Information

## **Tab 2: Collaborative Partners**

Village of Moreland Hills  
Orange Village  
City of Pepper Pike  
Village of Woodmere

## **Tab 3: Project Information**

Project Name  
Project Description  
Problem Statement  
Targeted Approach to Innovation Project  
Anticipated Return on Investment  
Probability of the Proposal's Success  
Plans and Ability to Replicate and/or Scale the Proposal  
Is the Proposed Project Part of a Larger Consolidation Effort?  
Past Successes on Innovation Projects  
Intent to Implement Audit Recommendations  
How does the Project Facilitate an Improved Business Environment and/or Promote Community Attraction?

## **Attachments**

A3.1 Press Release – “FitzGerald, Four Mayors Announce Merger Discussion”  
A3.2 Project Framing  
A3.3 Service Function Teams Proposed Schedule  
A3.4 News Article – “Mayors discuss Merger as alternative”  
A3.5 News Article – “Municipal Finance in the Face of Falling Property Values”  
A3.6 Tax Valuations  
A3.7 News Article – “‘Merging the Suburbs’ event discusses collaboration efforts of Pepper Pike, Orange, Moreland Hills, and Woodmere”  
A3.8 News Article – “East Side suburbs must consider police, fire, trash services”  
A3.9 News Article – “Cuyahoga County exec FitzGerald looks to lead consolidation of gov't services”  
A3.10 News Article – “Orange Village council studies Woodmere police contract”  
A3.11 News Article - “Crain’s Editorial: It’s a start”  
A3.12 News Article – “Consolidation Trailblazers?”  
A3.13 News Article – “A huge step for regionalism: Chagrin Solon Sun editorial”

## **Tab 4: Financial Documentation**

Project Cost  
Project Budget  
Financial History of the Municipalities  
Financial Projections for the Municipalities

## **Attachments**

A4.1 Extended Table of Organization  
A4.2 Notarized In-Kind Matching Forms  
A4.3 Press Release – “NOACA Awards Grant to Support Four-City Merger Study”

**Tab 5: Supporting Documentation**

SD5.1 Memorandum of Mutual Understanding and Collaboration (Executed Partnership Agreement)

SD5.2 Resolutions of Support

- SD5.2.1 Cuyahoga County Resolution of Support
- SD5.2.2 Village of Moreland Hills Resolution of Support
- SD5.2.3 Orange Village Resolution of Support
- SD5.2.4 City of Pepper Pike Resolution of Support
- SD5.2.5 Village of Woodmere Draft Resolution of Support

SD5.3 Financial and Performance Audits

- SD5.3.1 Village of Moreland Hills - 2008
- SD5.3.2 Village of Moreland Hills - 2009
- SD5.3.3 Village of Moreland Hills - 2010
- SD5.3.4 Orange Village - 2008
- SD5.3.5 Orange Village - 2009
- SD5.3.6 City of Pepper Pike - 2008
- SD5.3.7 City of Pepper Pike - 2009
- SD5.3.8 City of Pepper Pike - 2010
- SD5.3.9 Village of Woodmere - 2008-2009
- SD5.3.10 Village of Woodmere Police Department Performance Audit

SD5.4 Documentation from the 2010 U.S. Census Identifying each Municipality

SD5.5 Self-score Assessment

## Tab 1: Contact Information

### Main Applicant

Cuyahoga County  
1219 Ontario Street, 4<sup>th</sup> Floor  
Cleveland, Ohio 44113  
216-443-7178 (Main Phone)  
216-443-7635 (Main Fax)  
Total Population: 1,280,122

### Contact Information

Cuyahoga County Department of Regional Collaboration  
Ed Jerse, Director  
1219 Ontario Street, 4<sup>th</sup> Floor  
Cleveland, Ohio 44113  
216-698-2061 (Phone)  
216-443-3952 (Fax)  
[ejerse@cuyahogacounty.us](mailto:ejerse@cuyahogacounty.us)

Cuyahoga County Planning Commission  
Paul Alsenas, Director  
323 W. Lakeside Avenue  
Suite 400  
Cleveland, Ohio 44113  
216-443-3700 (Phone)  
216-443-3737 (Fax)  
[palsenas@cuyahogacounty.us](mailto:palsenas@cuyahogacounty.us)

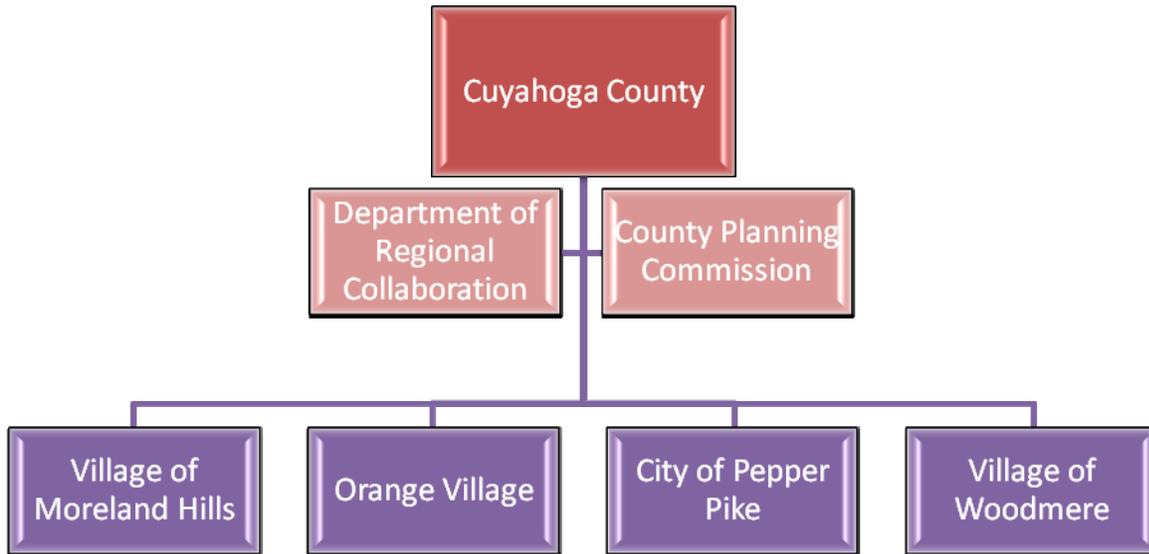
Cuyahoga County Executive Edward FitzGerald identified regional collaboration as a top priority for his Administration. Accordingly, he established the Department of Regional Collaboration (the Department), making the Director a cabinet-level appointment. The Department is taking dramatic steps towards strengthening our region by encouraging greater cooperation among communities in Cuyahoga County and fostering efforts that will lead to efficiencies and promote economic development. Some of the Department's keys goals include identifying opportunities for shared services to cut costs and improve service delivery, and convening key parties for regional collaboration. As such, the *Merger/Shared Services Study* (the Study) is a natural endeavor for the Department of Regional Collaboration. The Study will examine the potential for the ultimate form of collaboration: a merger of four separate municipalities. As a leading organization for collaboration in the county, the Department will serve alongside the County Planning Commission as an impartial facilitator and communicator during the Study. The Department will assist with public engagement and help to identify practices and methodologies which make the study outcome model scalable and replicable for other communities in Cuyahoga County and, perhaps, throughout the State of Ohio.

The Department of Regional Collaboration will work closely with the Cuyahoga County Planning Commission (the Commission) to facilitate the Study ([See Table of Organization](#)). According to Ohio Revised Code Section 713.23, the Cuyahoga County Planning Commission "may make studies, maps, plans, recommendations, and reports concerning the physical environmental, social, economic, and governmental characteristics, functions, services, and other aspects of the county, as a whole for one of more political subdivisions in the county." Given this statutory latitude, the Commission will provide assistance of a more technical nature during the Study. Specifically, the Commission will provide meeting

**Tab 1: Contact Information**

and research facilitation, subject matter expert involvement, public engagement and education, and help identify and implement opportunities for collaboration.

**Table of Organization**



## **Tab 2: Collaborative Partners**

### **Village of Moreland Hills**

Susan Renda, Mayor  
4350 S.O.M. Center Road  
Moreland Hills, Ohio 44022  
440-248-1188 (Main Phone)  
440-498-9591 (Main Fax)  
Total Population: 3,320

### **Orange Village**

Kathy Mulcahy, Mayor  
4600 Lander Rd.  
Orange Village, Ohio 44022  
440-498-4400 (Main Phone)  
440-498-4404 (Main Fax)  
Total Population: 3,323

### **City of Pepper Pike**

Richard Bain, Mayor  
28000 Shaker Blvd.  
Pepper Pike, OH 44124  
216-831-8500 (Main Phone)  
216-831-0978 (Main Fax)  
Total Population: 5,979

### **Village of Woodmere**

Charles Smith, Mayor  
27899 Chagrin Boulevard  
Woodmere Ohio 44122  
216-831-9511 (Main Phone)  
216-292-7023 (Fax)  
Total Population: 884

The Village of Moreland Hills (Moreland Hills), Orange Village (Orange), the City of Pepper Pike (Pepper Pike) and the Village of Woodmere (Woodmere) share common concerns for the financial welfare and future sustainability of their respective communities. Each of the four municipalities have a strong desire to have a full understanding of each department, service delivery model, and administrative operation within their respective communities individually and collectively; a knowledge of the full range of possibilities for coordination of services, sharing of services, and/or merger of their communities; an understanding of the implications, costs, benefits, and effectiveness of coordinated, shared services and/or merged services among their communities; and the full-depth of information required to help their residents make good decisions regarding the question of merger of the four municipalities.

As collaborative partners, each municipality has agreed to actively participate in the *Merger/Shared Service Study*. During the Study process, each Mayor agrees to serve as a point of contact for their respective community and will communicate with their residents regarding the Study progress. In addition to hosting meetings and public forums over the course of the Study, each municipality is committed to making a good faith effort to evaluate and consider implementation of the findings.

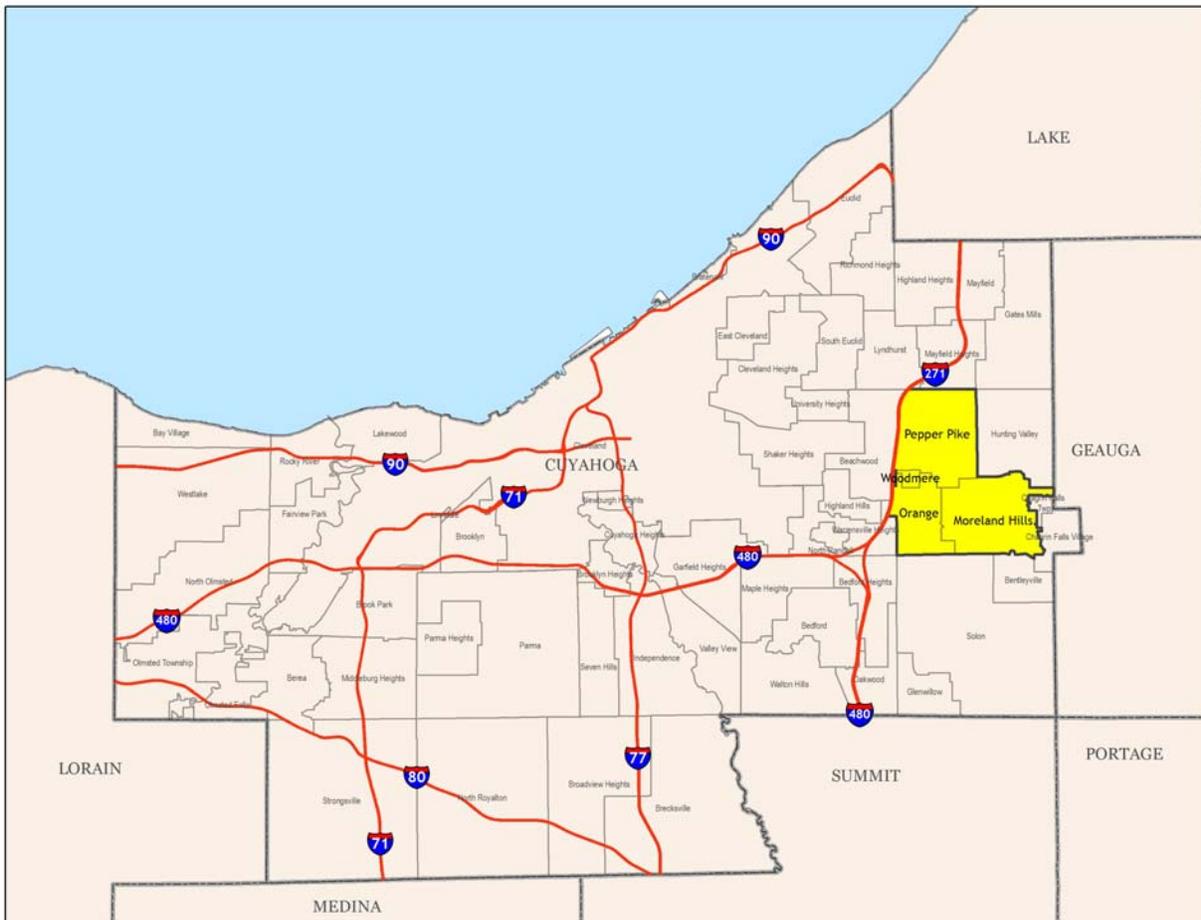
## Tab 2: Collaborative Partners

### Population Data

According to the 2010 US Census the total population of the four municipalities in the Study area is 13,506.

Community	Square miles	2010 Population
Moreland Hills	7.25	3,320
Orange	3.80	3,323
Pepper Pike	7.09	5,979
Woodmere	0.33	884
<b>Total</b>	<b>18.47</b>	<b>13,506</b>

### Location Map of Collaborative Partners



## Tab 3: Project Information

### Project Name

*Merger/Shared Services Study for Moreland Hills, Orange, Pepper Pike, and Woodmere (Merger/Shared Service Study or the Study)*

### Project Description

Four Cuyahoga County municipalities – Moreland Hills, Orange, Pepper Pike, and Woodmere – approached County Executive Edward FitzGerald in the summer of 2011 to discuss the prospect of merging their municipalities ([A3.1 “FitzGerald, Four Mayors Announce Merger Discussion”](#)). Understanding that a decision to merge was a decision to undertake a long, complicated, and demanding process, the Department of Regional Collaboration, the County Planning Commission, and the four Mayors began convening monthly meetings to build pivotal relationships and manage the array of expectations that inevitably emerge from a merger discussion. These meetings were then closely followed by a series of in-depth interviews with key municipal staff in each community. Now that the municipalities are well-acquainted with one another and share a unified vision for exploring the merits of merging, our partnership is prepared to move the *Merger/Shared Services Study* forward using an informed and innovative process. **We are requesting a \$100,000 grant from the Local Government Innovation Fund to implement one component of a phased study process.**

Most merger studies generally ask one or two questions: “How do we merge? What are the financial benefits of a merger?” Rarely do these traditional merger studies explicitly examine mergers from an organizational design and management viewpoint. These classic merger studies take months or years to complete yet do not yield a high degree of cost savings<sup>12</sup>. The *Merger/Shared Services Study* takes a different approach, operating from a management perspective ([A3.2 Project Framing](#)). Through this phased, multi-faceted process, we will evaluate systematic opportunities for shared services as they present themselves in order to more effectively capitalize on the Study. By discovering shared service opportunities in incremental steps, we believe that the merits of merging municipalities will reveal themselves.

Understanding the importance of pursuing collaborations through specific units of government, our phased process will divide work into four tracks and conduct a systematic, in-depth analysis of each. The four tracks are Service Departments, Finance Departments, Public Safety Departments, and Other Departments.

A Service Function Team will be established for each track ([A3.3 Service Function Teams Proposed Schedule](#)). It is anticipated that by concurrently undertaking these team analyses discussion across all tracks can occur, generating the kind of knowledge that readily exposes the merits of merging entire municipalities. The Service Function Teams are the engine of the *Merger/Shared Services Study*. Constructed and facilitated by the County Planning Commission and the Department of Regional Collaboration, each team will participate in a series of meetings over the course of 2012. While each track does have its own team, there will be many intended overlaps of labor and resources.

Teams will consist of local experts such as the Department Directors and key staff from each municipality, experts from relevant County Departments such as the Sheriff’s Office and Information Service Center personnel, a project manager, and a subject matter expert(s). For the most part, the Department Directors in all four municipalities are seasoned veterans in their professions and have been forging collaborations among their neighboring and regional communities for years. Because of their institutional knowledge,

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<sup>1</sup> “Municipal Services & Financial Overview: Borough and Township of Princeton.” January 2011. Center for Governmental Research. [www.cgr.org](http://www.cgr.org)

<sup>2</sup> “Consolidated Fire and EMS Service for Westshore Council of Governments” October 2010. Emergency Service Consulting International.

### Tab 3: Project Information

they were engaged very early in the process and will continue to be involved throughout the Study. Their willingness to contribute and cooperate is paramount to analyzing and exploring the delivery of services for each department. However, we recognize the value an “outside” expert can provide, especially one that brings knowledge of best practices and the most up-to-date models of service delivery in their field. Therefore, the need for subject matter expertise to expand the discussion within the Service Function Teams is critical. A subject matter expert can also serve as a non-partisan, unbiased sounding board for implementation of shared service opportunities and innovative strategies for employing new or enhanced service delivery models. Finally, the County Planning Commission will provide overall project management and convene and facilitate each of the Team meetings in each of the four tracks.

As mentioned previously, each Service Function Team will follow the same phased process:

- **Phase 1 - Existing Conditions:** The first phase of our process is currently underway and will continue for the next four to six months. The first phase is a comprehensive and complete analysis of existing conditions within the four municipalities. Our goal is to understand the functions and operations of each municipality department by department, across departments, and across service delivery models. In short, each track will be discussing the “what is” during Phase 1. Also during this phase, each team will examine why the service is provided and discuss and identify the benefits of each service and alternative methods of service delivery, i.e. shared, consolidated, contracted, etc.
- **Phase 2 - Opportunities for Shared Services:** The second phase, beginning in July 2012, will delve into the opportunities for shared services. At this point, subject matter experts will be retained to assist in identifying the full range of possibilities and service delivery alternatives. During Phase 2, each team will analyze the potential costs and benefits of the alternatives; debate and synthesize the best ideas from each alternative to determine which has the most potential for immediate and/or long-term implementation; and establish the next steps to begin the implementation process.
- **Phase 3 - Merits of Merging:** The third phase will take a serious look at the merits of a complete merger among two, three, or all four communities. Based on the outcome of Phases 1 and 2, the Study will outline the opportunities and challenges for merging some or all of the four communities.

Throughout the process it is imperative to provide numerous opportunities to engage, educate, and solicit feedback from residents. It is important that any process discussing service delivery or merger be open and transparent to ensure that false or misleading information is not disseminated. If false rumors or distrust gain momentum or credibility the Study could be irreparably harmed. As part of the Study process, the County Planning Commission will establish a dedicated website as a clearinghouse for all official information gathered and disseminated about the Study. In addition, the County and the four communities will convene a number of community forums in each municipality so that residents understand the process and, over the course of the Study, come to understand the merits of merging in advance of undertaking the statutory merger process.

### Our Request

**We are seeking a \$100,000 grant from the Local Government Innovation Fund to implement Phases 2 and 3 of the Public Safety Departments track.** We are requesting assistance with the Public Safety Departments Track because it encompasses the most complicated areas of the Study: Fire, Emergency Medical Service (EMS), and Police Departments. These departments also make up a large portion of the municipal budgets in each of the four municipalities. We selected this track as our initial focal point because there has already been a significant amount of cross-training in each of the municipalities. There has also been significant expansion in the social service roles of these departments. As a result, we expect to be able to identify a number of opportunities for shared services through a combined public safety approach. For example, in Orange, the Police, Fire, and even some Service Department employees are already cross-trained to provide EMS services. Additionally, there is the

### Tab 3: Project Information

opportunity to engage the Service Departments and Finance Departments in an interdisciplinary manner to build a meaningful platform for shared service and/or consolidation opportunities. The Public Safety Departments track, for example, will share critical platforms on Finance, Information Technology, Procurement, and Management and Organizational Systems with the other tracks (See [Public Safety Team](#)). Finally, our innovative process of phased tracks will allow our Public Safety Departments track to also provide scalable lessons to the other tracks, and vice versa.

### Public Safety Team



### Problem Statement

Citizens are frustrated by the cost and tax burden of local government. They value their communities, but want modern, efficient services at an affordable price. Ill-fitting, disjointed municipal governments and changing demographics are primary issues for local governments when assessing demand for municipal services. It is evident to these four Mayors that this fragmentation causes unnecessary duplication of services and excess cost. As Former Pepper Pike Mayor Bruce Akers said "there is no question about it, it is imperative that we do this [merger]. If we cut out duplications, redundancies and inefficiencies, we would be able to continue to provide and improve services (A3.4 ["Mayors discuss Merger as alternative"](#)).” The four municipalities only cover 18.5 square miles yet maintain separate governments complete with an array of municipal services, facilities, and equipment with combined budgets estimated at over \$32.8 million. Not only are services among the four municipalities duplicative but they are also well-established and outdated, presenting a sizeable obstacle for any attempts at innovation.

The ever increasing burden on taxpayers - coupled with decreases in property values, loss of estate taxes, and local government funds - makes it incumbent upon local governments to find ways to maintain appropriate levels of service at reduced costs (A3.5 ["Municipal Finance in the Face of Falling Property Values"](#) and A3.6: [Tax Valuations](#)). Mayor Smith of Woodmere has said that as a small community with only six streets and about 300 homes, Woodmere relies on their commercial base to fund most of their revenue. With the downturn in the economy, Woodmere has been force to make quite a few cuts in

### Tab 3: Project Information

different areas (A3.7 “Merging the Suburbs’ event discusses collaboration efforts of Pepper Pike, Orange, Moreland Hills, and Woodmere”).

The *Merger/Shared Services Study* is vital to the four municipalities. The Study will allow them to knowledgeably address issues of service design, efficiency, and cost while at the same time examining legal and financial constraints.

### Targeted Approach to Innovation Project: Merger

Pursuant to the statutory Merger Commission process provided in the Ohio Revised Code, if a community concludes that our Study does not warrant further exploration, it can decline to advance to the first formal initiative the establishment of a study commission by ballot. Should the process get to the Merger Commission, a majority of the community’s representatives on the Commission can vote against the “Conditions of Merger Report” and that would also end the process. If the ultimate question of merger, i.e. the second ballot issue, is placed before the voters, the communities again have an opportunity to vote against it. The defeat of the initiative by any one community defeats the entire measure, even if the other communities agree to merge. In short, each community controls its own destiny and has numerous opportunities to bow out of the process.

In addition to the innovation present in the Study’s phased process, how the Study intends to fit into the statutorily dictated Merger Commission process is an innovation. The difference between our Study and the statutorily created Merger Commission is significant. The establishment of a Merger Commission, as dictated by Sections 709.43 through 709.48 of the Ohio Revised Code, is only a one (or at most, two) year process. This short time frame often sets up municipalities for failure by truncating the foundations of collaboration (relationships building and shared expectations). Should these foundations be built, it is still not nearly enough time to thoroughly determine the merits and justifications for merging. In our Study process, the work being done ahead of the statutory process will establish the preconditions of success as well as explore all shared service opportunities. The Study will provide a sense of comfort and reduce fear of the unknown, making it an innovative, and perhaps essential, precursor to the statutory Merger Commission process. Furthermore, this Study will reduce the cost of the Merger Commission process. The Ohio Revised Code dictates that the Merger Commission could conduct a study funded by each of the municipalities’ general revenue funds. Our Study, however, will satisfy this piece and be more comprehensive in scope.

Finally, the Mayors will be able to determine the best next steps for the Merger Commission depending on the findings of this Study. Instead of starting at the ground floor, our Study will allow the Merger Commission to form in order to sign an agreement, come to terms with the final feasibility of a merger, and most importantly, advocate to the public. Because of the *Merger/Shared Services Study*, the Merger Commission will have real-time numbers and data allowing them to solely focus on the hurdles of implementation.

### Anticipated Return on Investment

The whole purpose of the *Merger/Shared Services Study* is to thoroughly analyze existing financial data to determine where new opportunities for shared or consolidated services will yield savings. For example, we know that a 2010 study conducted by Baldwin Wallace<sup>3</sup> revealed a savings of \$530,000 in salaries by combining service departments for the communities included in the study. According to a Cleveland Plain Dealer analysis, University Heights, a municipality with a similarly-sized population, operates their administration with significantly fewer employees and, respectively, at a lower cost than the four municipalities (A3.8 “East Side suburbs must consider police, fire, trash services”). While this may not be a direct, apple-to-apples comparison in terms of geography and demographics, an analysis like the Plain Dealer’s is what the *Merger/Shared Service Study* intends to definitively produce (See Cleveland

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<sup>3</sup> Municipal Services Collaboration Study Hunting Valley, Moreland Hills, Orange Village, and Pepper Pike, conducted by Baldwin Wallace, March 2010.

### Tab 3: Project Information

Plain Dealer Analysis). Furthermore, we anticipate that our more in-depth look at these services will yield an even higher rate of savings than this cursory examination.

### Cleveland Plain Dealer Analysis

## Saving by consolidating?

Moreland Hills, Orange, Pepper Pike and Woodmere — all of which used to be part of Orange Township — are studying joining back together as a way to save money and provide more efficient services. The merged community would have a population similar to University Heights. So The Plain Dealer took a look at how salaries, staffing and taxes compare between the four small communities, and the bigger city.

	Moreland Hills	Orange	Pepper Pike	Woodmere	Four-city total	University Heights
<b>Population</b>	3,320	3,323	5,979	884	13,506	13,539
<b>Police</b>	13 full-time 2 part-time	13 full-time	15 full-time	15 full-time 13 part-time	56 full-time 15 part-time	26 full-time
<b>Police per 1,000 residents*</b>	4.2	3.9	2.5	15.8	4.7	1.92
<b>Police chief salary</b>	\$80,000	\$95,000	\$99,757	\$51,987	\$326,744	\$90,280
<b>Firefighters</b>	0	26 part-time	10 full-time 30 part-time	30 part-time	36 full-time 40 part-time	29 full-time
<b>Fire chief salary</b>	N/A	\$83,500	\$104,915	\$34,318	\$222,733	\$90,280
<b>Law director</b>	Contract	\$6,000	\$32,700	\$18,999	\$57,699	\$40,000
<b>Mayor</b>	\$46,751	\$38,000	\$55,000	\$32,000	\$172,651	\$70,025
<b>Treasurer</b>	\$32,364	\$30,000	\$87,984	\$18,540	\$168,888	\$70,000
<b>Total city employees</b>	39	56	88	74	257	104
<b>Total payroll</b>	\$2,029,479	\$2,591,517	\$4,420,880	\$1,432,687	\$10,474,563	\$4,772,892
<b>Income tax</b>	1.0%	2.0%	1.0%	2.5%		2.5%
<b>Credit</b>	0	0.90%	0.50%	2.5%		1.0%
<b>Residential property tax**</b>	\$224	\$217	\$291	\$132		\$404

\* Part-time officers/firefighters count as half full-time.

\*\*Property tax shown is the amount per \$100,000 of market value, for municipal taxes. Total tax bills are higher, as they include taxes for schools, the county and others.

SOURCE: The municipalities

LAURA JOHNSTON AND KEN MARSHALL | THE PLAIN DEALER

## Probability of the Proposal's Success

One cannot discuss the probability of success without first defining success itself. The *Merger/Shared Service Study* defines success utilizing a number of considerations, including the audience. For the County, success could be defined as the ability to replicate best practices for collaboration and mergers across all 59 municipalities. For the Mayors, success could mean the ability to thoroughly appreciate their administrative functions, their residents' needs, and the best way to govern. While these are certainly valid definitions of success they do not represent the ultimate definition of success, the definition of success to the residents of the four municipalities. That definition is simply delivering quality municipal services in the most efficient and cost effective manner.

### Tab 3: Project Information

How do we improve services to the residents of Moreland Hills, Orange, Pepper Pike and Woodmere at the best available cost? Where and when is it appropriate to expand current services? Where and when will we need to improve current services to premium, high performance services? And where can we generate cost savings by consolidating or eliminating duplicative or antiquated services? These questions will be central to the Study process and highlight the fact that cost savings may not always be the primary goal. Instead, the primary goal may vary depending on the respective units of government and community needs. Each community is unique and, as a result, each community has unique needs that must to be represented and addressed during the Study. By periodically judging our progress against the following objectives and measurements, we can point to a high probability of success for the *Merger/Shared Service Study*.

- **Objective:** Foster a complete understanding of each department, service delivery model, and administrative operation within the respective municipalities individually and collectively.
  - **Objective:** Create an understanding of the full range of possibilities and outcomes. Even if one or more of the municipalities chooses not to pursue a merger, the Study will engender progress. Meaning, at best, the Study will create a path for a fully merged municipality with streamlined services and high levels of cost savings and, at worst, the Study will yield valuable relationships and partnerships among the municipalities.
  - **Objective:** Gain full knowledge of the implications, costs, benefits, and effectiveness of shared services and/or the merger of the four municipalities.
  - **Objective:** Obtain and convene the full-depth of information required to help our residents make good decisions regarding the questions of the coordination of services, sharing of services, and/or the merger of the four municipalities.
  - **Objective:** Identify practices and methodologies which make the Study process scalable and replicable to other communities in Cuyahoga County. This Study and its process will serve as a model for other communities across the county considering merging or even various shared services opportunities.
- 
- ❖ **Critical Measurement:** Each time a process improves and/or a new collaboration emerges.
  - ❖ **Critical Measurement:** Overall cost savings as a result of shared service opportunities.
  - ❖ **Critical Measurement:** Level of public engagement during the Study process.
  - ❖ **Critical Measurement:** Strength of the foundation which generate the conditions of merger.

Over the course of the County's work and interactions regarding collaboration, we have discovered two prevailing preconditions which generally exist in any successful government collaborations. These preconditions, while less quantifiable, also embody essential metrics for success. The first precondition is a unique catalyst, such as government/regime reform or a monetary award. The second precondition is an existing sense of trust among participating entities built on habit of collaboration. The *Merger/Shared Services Study* overwhelmingly illustrates both preconditions. While a unique catalyst certainly exists with the Local Government Innovation Fund, a further catalyst exists within the establishment of new regimes in both Cuyahoga County and the State of Ohio who are valuing and prioritizing government collaborations. The four municipalities also exemplify the second precondition through an established and growing community identity beyond corporate lines. In addition to a shared high school and senior center, the municipalities have been a part of several collaborative projects indicative of the existing level of trust and the engrained habit of collaborating ([See Partial List of Existing Collaborations](#)). According to the

### Tab 3: Project Information

recent report titled “Fostering Local Government Collaboration” from the Center for Public Administration and Public Policy at Kent State University, “trust has been recognized as one of the critical underpinnings of collaborative success.”<sup>4</sup>

### Partial List of Existing Collaborations

	Governance Structure	Benefits	Moreland Hills	Orange	Pepper Pike	Woodmere
<b>Chagrin River Watershed Partners</b>	COG	Advocacy, Ordinances, Watershed Support	X	X	X	X
<b>Chagrin Valley Dispatch Council</b>	COG	Dispatch Center	X	X		
<b>Chagrin Valley Enforcement Group</b>	COG	Specialized Police Units & Training	X	X	X	X
<b>Northeast Ohio Public Energy Council</b>	COG	Utility Aggregation	X	X	X	
<b>Northeast Ohio Sewer District</b>	COG	Regional Sewer	X	X	X	
<b>Orange City School District</b>	School District	Public Schools	X	X	X	X
<b>Orange Recreation &amp; Education</b>	School District	Activities & Programs For Residents Of All Ages	X	X	X	X
<b>Orange Senior Center</b>	School District	Services & Programs For Communities' Seniors	X	X	X	X
<b>Regional Income Tax Agency</b>	COG	Tax Collection	X	X	X	X
<b>Sensible Salting Strategies</b>	AGR	Policy	X	X	X	
<b>Service Dept Mutual Aid</b>	AGR	Sharing Of Equipment/Man power	X	X	X	
<b>Joint Paper Shredding Services</b>	AGR	Paper shredding		X	X	
<b>Southeast Regional Hazmat</b>	COG	Hazardous Materials Technicians & WMD Specialists	X	X	X	X
COG = Council of Governments AGR = Agreement						

<sup>4</sup> “Fostering Local Government Collaboration: An Empirical Analysis of Case Studies in Ohio.” September 2010. Center for Public Administration and Public Policy, Kent State University. <http://www.kent.edu>

## Tab 3: Project Information

### Plans and Ability to Replicate and/or Scale the Proposal

The Public Safety Department track will be scalable to the other three tracks of the Study process. The Public Safety Department track, for example, will require critical, shared platforms on Financing, Information Technology, Procurement, and Management Systems that will be expanded to the other tracks. Since our innovative process is phased, we will also be able to scale lessons learned during the Public Safety Department track to the other tracks, and vice versa, on a real-time basis. In terms of scaling the Study to involve other local governments, the Study process will allow us to determine where those opportunities exist. For example, while there may not be a case for merging, there may be opportunities within certain service functions for the involvement of neighboring communities such as Chagrin Falls, Chagrin Township, and/or Hunting Valley. With that said, the main and immediate focus of the Study is to replicate the process throughout Cuyahoga County. The process particularly provides a model or template of best practices to surrounding communities who may or already have considered merging or shared service opportunities.

### Is the Proposed Project part of a Larger Consolidation Effort?

At this time, the *Merger/Shared Services Study* is not a part of larger consolidation efforts. However, County Executive FitzGerald recently announced The Western Reserve Plan which includes his vision for implementing a practical strategy for creating a functioning, county-wide metropolitan government in Cuyahoga County.<sup>5</sup> The Executive's practical strategy for collaboration means the county government should consider providing and/or contracting for municipal service where it is applicable and cost-efficient. (A3.9 "Cuyahoga County exec FitzGerald looks to lead consolidation of gov't services"). This Study provides an excellent opportunity to explore which municipal services would make sense to offer on a county level.

### Past Successes on an Innovation Projects

The Department of Regional Collaboration has already facilitated several innovative projects since its formation in 2011. In tandem with the Cuyahoga County Human Resources Department, we are working on Health Benefits Regionalization. For this **shared service** project, Cuyahoga County is offering our healthcare and benefits package to the 59 municipalities of the county. By opening the County's self-insured pool to qualified municipal governments, we are achieving greater efficiency through combined service delivery. As of February 2012, four entities have joined the county pool with eight additional entities considering joining. In the public safety field, the Department of Regional Collaboration in coordination with the Cuyahoga County Public Safety Department facilitated a 911 Regional Dispatch Assessment Study for the County. Currently, there are forty-seven Public Safety Answering Points (PSAPs) in Cuyahoga County and this study contemplated the **merger** of multiple PSAPs in cluster areas to provide greater service at a lower cost. Finally, the Department of Regional Collaboration has been working steadily on a Business Attraction and Anti-Poaching Protocol. County Executive FitzGerald believes the Protocol is an important step in encouraging the communities of Cuyahoga County to work together on economic development and to compete against the world, rather than each other. The Protocol is not a panacea, nor does it address all the challenges the county faces but it sends a strong message that we are moving in a new and positive direction and seeking new approaches to economic development. The Protocol, which already has twenty signatories, seeks to create a spirit of collaboration as well as **efficiency** in economic development efforts.

The Commission also has a record of facilitating collaborative projects to redesign municipal services, bringing innovation and best practices processes to bear. Successful collaborations include the Work Access & Transportation Program, a demand transportation service for low-income working families now a fully integrated service of the county's regional transportation authority, and the Municipal Energy Program, a program designed to establish a foundation for a county-wide energy conservation and management strategy. The Senior Transportation Connection of Cuyahoga County (STC), a new entity

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<sup>5</sup> <http://www.westernreserveplan.org/>

### Tab 3: Project Information

for specialized transportation of senior adults in the County, is also a noteworthy innovation project. This project, funded by the Mt Sinai Healthcare Foundation and other health conveyance foundations, resulted in the establishment of a new entity to provide rides to seniors using innovative organizational approaches and leveraging state-of-the-art dispatch technologies. The Federal Transit Administration of the US Department of Transportation has described the STC as the model for specialized transportation utilizing a collaborative, **coproduction** approach.

### Intent to Implement Audit Recommendations

In November 2010, Woodmere engaged the Ohio Auditor of State David Yost's Office to conduct a performance audit of staffing levels in their Police Department. The request for a performance audit was based on the Mayor's desire to ensure efficient and effective staffing levels. The performance audit was designed to review and analyze staffing levels in relation to similar villages, industry benchmarks, and leading or recommended practices. The Auditor's Office recommended a reduction in staffing levels at the Woodmere Police Department by at least 3.0, and up to 6.0, full time equivalent sworn officer positions. Underscoring the importance and urgency of the *Merger/Shared Service Study*, Orange and Woodmere have begun initial discussions around absorbing the Woodmere Police Department into the Orange Village Police Department when the Woodmere Police Chief announced his resignation ([A3.10 "Orange Village council studies Woodmere police contract"](#)) While this may be an immediate fix that requires a more long-term analysis and solution as a part of the Study, we believe that these discussions between Orange and Woodmere are a great example of how the four municipalities intend to evaluate and pursue shared service opportunities as they arise. (See Supporting Documentation for Audits)

### How does the Project Facilitate an Improved Business Environment and/or Promote Community Attraction?

The *Merger/Shared Services Study* is a vital and bold step toward ensuring that these four municipalities remain a competitive place to call home for existing and prospective businesses, and residents. On the heels of the Study announcement, Crain's Cleveland Business Editorial Board reflected, "Merging communities is [not] a snap. State law makes it a multiple-step process that can take a couple years before voters give a final "yea" or "nay" to a combination. But it's a process more local leaders would do well to undertake for the good of the taxpayers they serve. ([A3.11 "Crain's Editorial: It's a start"](#))." Additionally, the Plain Dealer Editorial Board wrote, "Mayors Susan Renda of Moreland Hills, Kathy Mulcahy of Orange Village, Bruce Akers of Pepper Pike and Charles Smith of Woodmere deserve a big round of applause for having the courage to say in public what many suburban politicians will readily concede in private: It no longer makes sense to go it alone ([A3.12 "Consolidation Trailblazers?"](#))." Sun News also remarked that the Study "...represents a great opportunity to blaze a new trail in this era of increased regionalism and officials in the four affected communities are wise not to let parochial concerns keep them from exploring every possible option to improve the fiscal health of their communities. Regional partnerships are a way of life in the Chagrin Valley; this would simply send a bold message to other communities across Greater Cleveland that regionalism truly knows no boundaries ([A3.13 "A huge step for regionalism: Chagrin Solon Sun editorial"](#))." "

It is expected that greater collaboration among the four municipalities will improve the area's primary retail and office district located along Chagrin Boulevard ([See Study Area Land Use Map](#)). Chagrin Boulevard is a major east-west commuter route that provides direct access for all four communities (and beyond) to the I-271 expressway located at the western end of the Study area. As a prime retail and business corridor, the success and development of the Boulevard is a significant economic factor for the entire area. However, the roadway is primarily a two lane road with serious traffic congestion. In 2001 the Chagrin Boulevard Corridor Study developed plans to "serve and incorporate the high-volume mobility and access needs for vehicles along Chagrin Boulevard while simultaneously preserving or redefining a sense of community, safety, livability and economic vitality along the 'main street' corridor<sup>6</sup>. The Corridor

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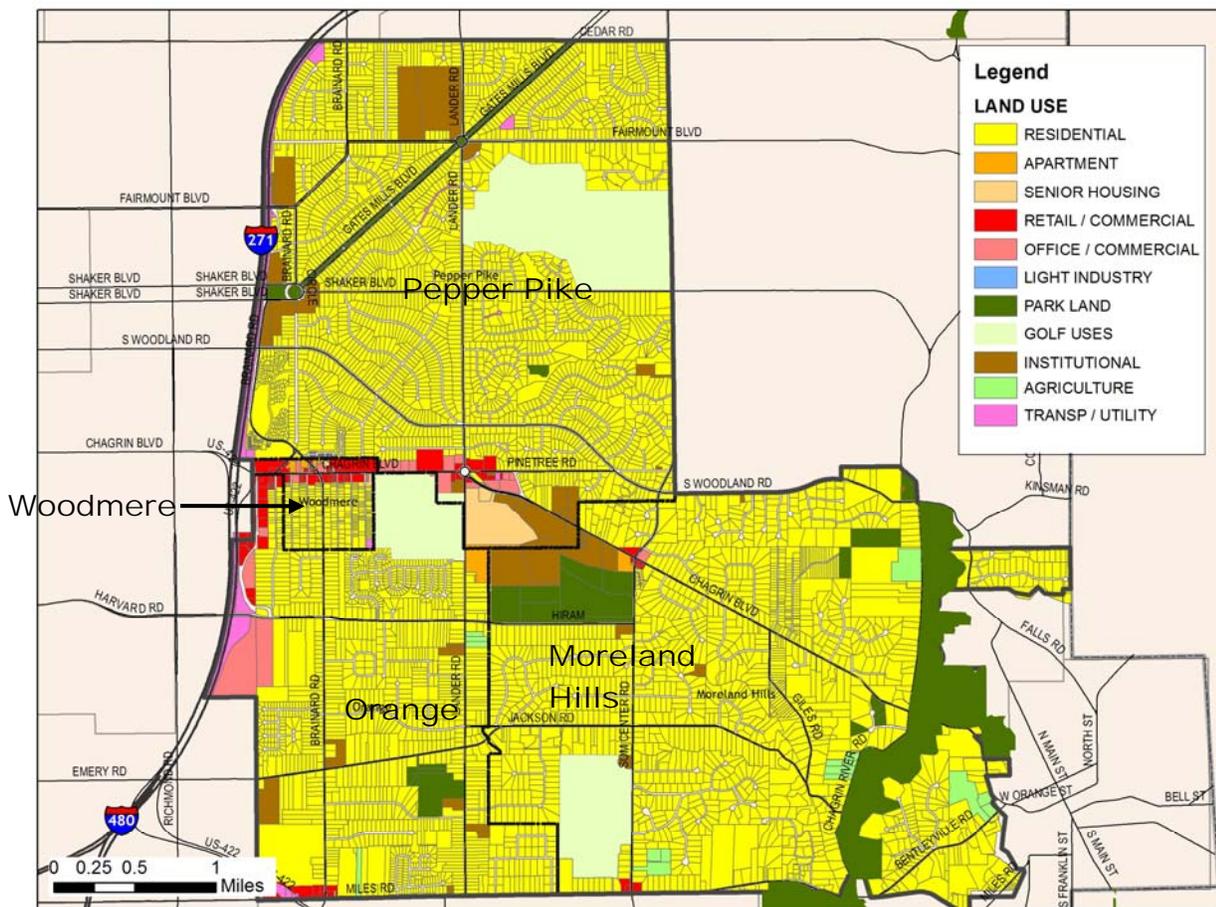
<sup>6</sup> Chagrin Boulevard Corridor Study: SR87 from I-271 to Lander Circle. Prepared for the Village of Woodmere by TranSystems Corporation. 2001.

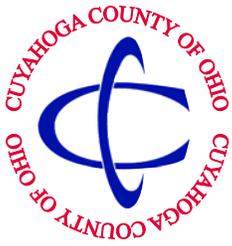
### Tab 3: Project Information

Study was prepared for Woodmere, in which the majority of the 'main street' businesses are located. The Corridor Study recommended \$17 million in improvements to the roadway configuration along the Woodmere, Orange and Pepper Pike portions of the street. By working together to devise an overall economic development plan for the entire corridor and seek funding for the needed major road improvements, it is possible to maximize the potential for this 'main street' area to become the 'town center' for the four communities. The *Merger/Shared Services Study* provides the platform for the four communities to more readily collaborate on such a project.

Beyond the opportunity to address projects and specific land use issues, the process of collaboration among the communities can produce a more unified and strategic approach to business development for the entire area. At present, not one of the four municipalities has a full-time economic development and business attraction function. In a collaborative environment, higher order business retention and attraction can be created by sharing the costs of full-time expertise. Working together, the communities will be able to advance strategic initiatives that market and brand all of the assets of the communities, including location in the region, proximity to the interstate, a great natural environment and desirable residential neighborhoods.

### Study Area Land Use Map





**EDWARD FITZGERALD**  
Cuyahoga County Executive

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## **FITZGERALD, FOUR MAYORS ANNOUNCE MERGER DISCUSSIONS**

*Mayors of Pepper Pike, Orange Village, Moreland Hills and Woodmere Willing to Begin a Process*

CLEVELAND — Cuyahoga County Executive Ed FitzGerald – accompanied by the mayors of four east side communities - announced today that the four communities will begin a process to study the possibility of merging their communities.

Mayors Bruce Akers of Pepper Pike, Kathy Mulcahy of Orange Village, Susan Renda of Moreland Hills, and Charles Smith of Woodmere agreed that – while today’s announcement is a first step to begin formal discussions – a potential merger could be a logical outcome for the communities, as they currently share the same school system, recreation department, library and senior citizens programs.

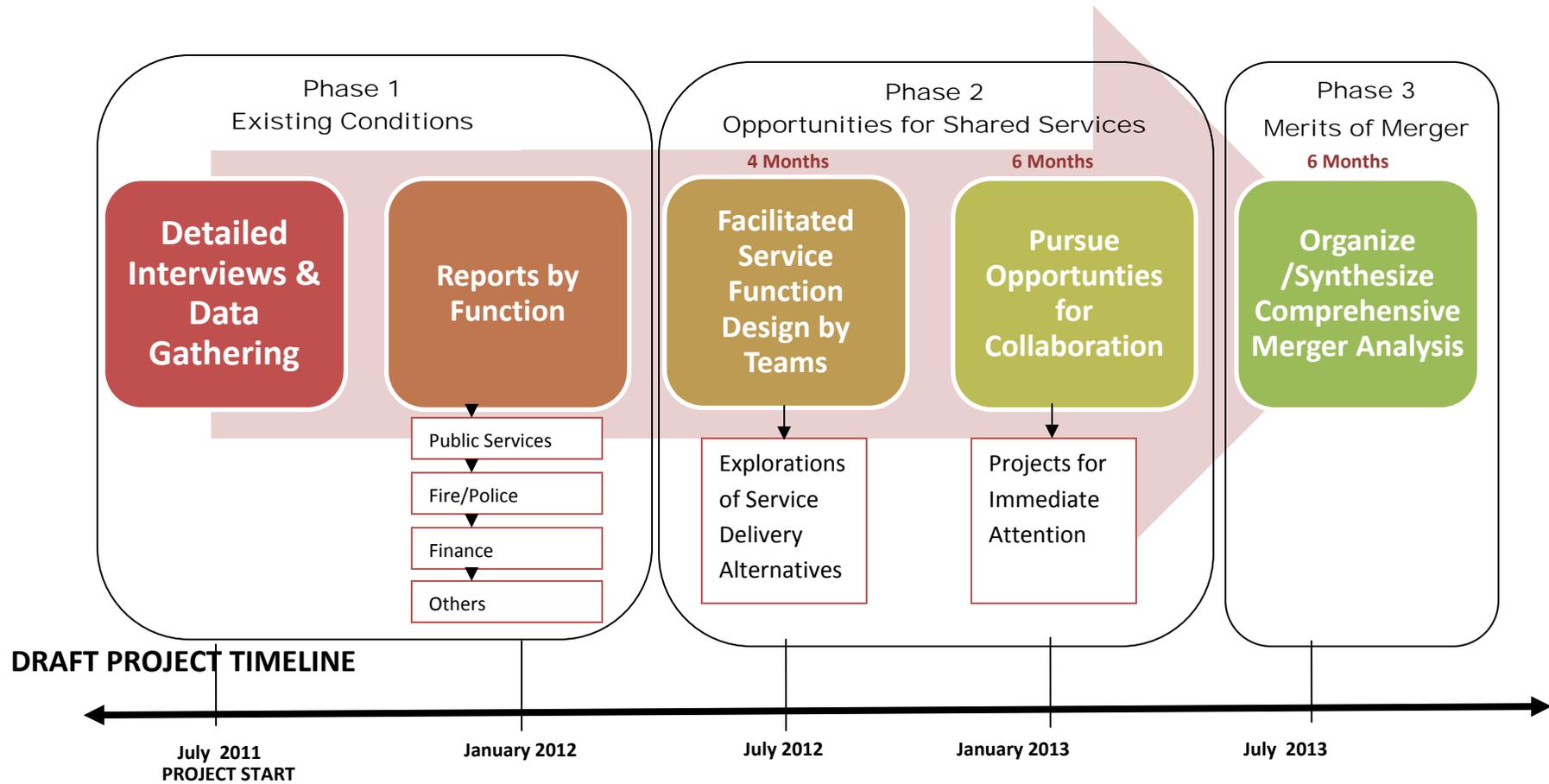
The Mayors also recognize that a merger could result in the elimination of redundant services which would save tax dollars for their citizens. In a statement issued by the four Mayors, they noted that it was “increasingly evident that local governments just can’t keep doing business as usual.”

County Executive Ed FitzGerald, in line with his initiative to encourage regional collaboration and sharing of government services, praised the decision to begin the discussion as “a bold collaboration by four leaders who are willing to do the smart and right thing for their communities. These Mayors have stepped forward to be the pilot program for other Cuyahoga County communities and will surely serve as a guide to other elected officials who are considering this option.”

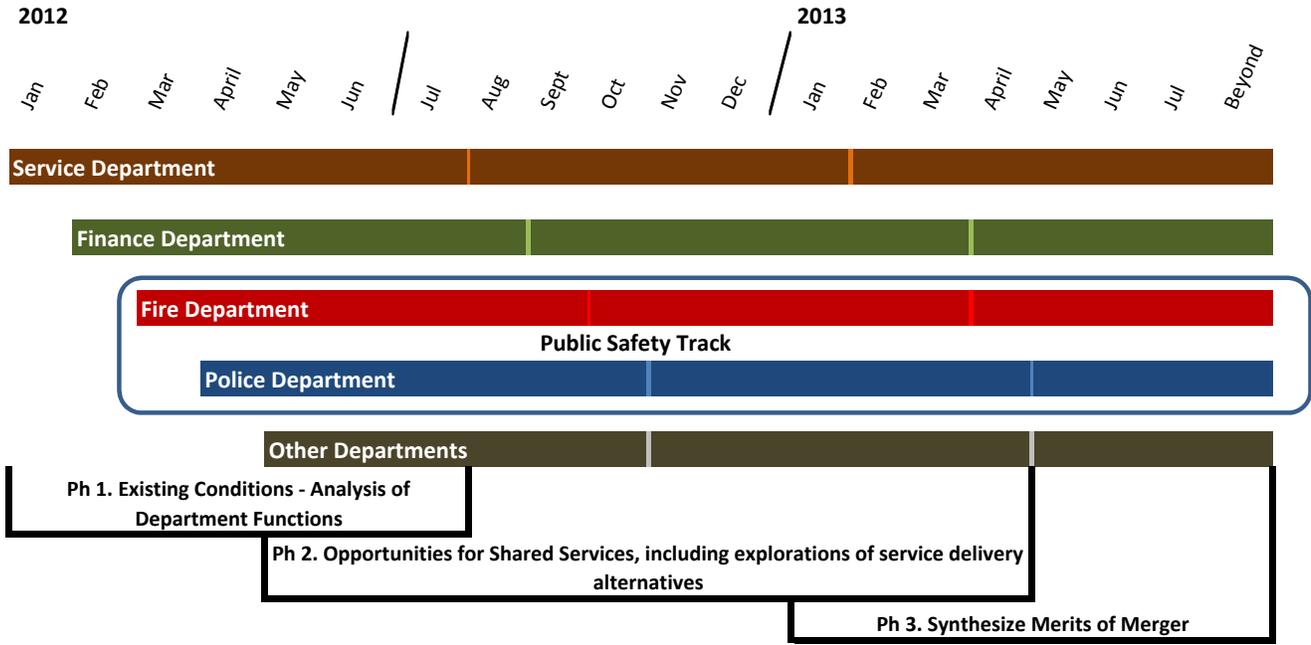
The process of merging local governments involves approval by voters in the affected communities as outlined by state law. The Mayors pledged a full and open discussion within their communities as the merger option is considered. The Mayors also recommended that the County should take a leadership role in beginning these discussions and providing support for the merger study.

The County Executive and the four mayors also agreed to continue their efforts – through merger discussions and otherwise – to explore any and all opportunities to share services and identify efficiencies that can be achieved through collaboration.

# Merger/Shared Services Study PROJECT FRAMING



## Service Function Teams Proposed Schedule





## Eastern Cuyahoga County mayors discuss merger as an alternative to service cuts

Published: Friday, October 07, 2011, 5:10 AM Updated: Friday, October 07, 2011, 12:50 PM



By **Regina Garcia Cano, The Plain Dealer**

CLEVELAND, Ohio -- The merger that four communities in eastern Cuyahoga County are contemplating to make government more efficient could lead the way for other similar efforts.

At a forum Thursday, mayors from three of those suburbs, and officials from other cities, said shrinking budgets, particularly in state funding, may make such efforts an attractive alternative to cuts in services.

Mayors Bruce Akers of Pepper Pike, Kathy Mulcahy of Orange and Charles Smith of Woodmere led a panel to discuss the proposal to merge their communities. Mayor Susan Renda of Moreland Hills, which also is part of the plan, was unable to attend.

The trio said that their communities' budgets are healthy but that the merger could help prevent service cuts should their revenues continue to decline.

"We can't see where the government is going to cut next," Smith said. "But this study will tell us if by merging we would become a rock-solid entity that will last a long time."

Local officials in the audience at the luncheon at Executive Caterers Corporate Club at Landerhaven lauded the initiative taken by the four suburbs.

The communities are heading in the right direction by proactively contemplating a merger rather than waiting for the state government to mandate it, said Bratenahl Mayor John Licastro. Other cities may follow these suburbs' example, he said.

The four communities already share a school district, recreation programs and senior services. Together, along with Hunting Valley, they made up Orange Township decades ago.

"There is no question about it, it is imperative that we do this," Akers said of the merger. "If we cut out duplications, redundancies and inefficiencies, we would be able to continue to provide and improve services."

The merger idea arose from discussions among city officials four years ago about sharing services. But serious conversations began when Ohio unveiled cuts in aid to cities in this year's state budget.

The officials' focus now is to rally their constituents to formally approve a study that would evaluate the pros and cons of merging.

Residents, however, have the final say in this process, which would involve casting two votes.

The first vote -- and the one mayors are particularly rallying for -- would be in fall 2012 to create a committee of representatives from each community that would study the needs of the four areas. The study would also prescribe the terms of the merger.

"We need this information to make an educated decision," Smith said. "If we don't try to acquire this information, we would never know how this



[View full size](#)

Scott Shaw, The Plain Dealer

Three eastern suburban mayors discussed the potential merger of their communities at the monthly Executive Caterers Corporate Club at Landerhaven. From left are Tom Beres, moderator and senior political reporter for WKYC Channel 3; Pepper Pike Mayor Bruce Akers; Orange Mayor Kathy Mulcahy; and Woodmere Mayor Charles Smith.

### Tab 3: Project Information

[merger] could affect our village."

The second vote would be in fall 2013 to decide the actual merger. Residents in each community would have to approve the merger. A defeat in any of the four suburbs would derail the entire issue. If approved by all four communities, the newly formed suburb would become official in January 2014.

The mayors said most of their residents are in favor of conducting the study. They said it could help answer some questions regarding property value changes, taxes, service providers and city naming.

"This is about keeping our quality of life, and we have to understand what premium we'll pay to stay fragmented," Mulcahy said. "We need this data."

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**Economic Commentary**

**Municipal Finance in the Face of Falling Property Values**

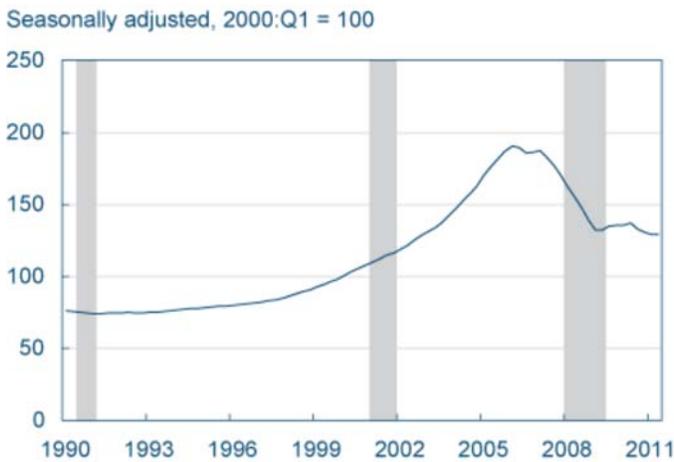
*Thomas J. Fitzpatrick IV and Mary Zenker*

The fall in property values associated with the recent recession has caused a decline in property taxes which may be amplifying local government budget crises across the country. Cuyahoga County is set to reappraise property values in 2012, and when it does it may only then absorb the full force of the housing market losses caused by the recession. We estimate the potential losses in property values and the county's tax base and find that the impact could be significant.

Historically, recessions tend to trigger a drop in tax revenue and an increased demand for government services, which stresses government budgets. The most recent recession was no different, but this time, declines in municipal tax revenues have been more acute. At fault mostly are a prolonged period of high unemployment and a sluggish economic recovery, which have been compounded by a drop in transfer payments from state and federal governments.

Another factor that is contributing to the current sharp decline in tax revenue is the shrinking of the property tax base because of falling home prices. During and after earlier recessions, home prices remained flat or increased (figure 1). Stable home prices provide stable tax revenue, which is used to fund many critical city services, such as the local police force, fire department, public education, and infrastructure projects. The fall in property values that began in the recent recession—and that continues in many markets today—may be amplifying the budget crises across the country because of the decline in property taxes it is causing. This *Commentary* explores that possibility.

**Figure 1. Case-Shiller Home Price Index**



Note: Shaded bars indicate recessions.  
Source: S&P, Fiserv, and Macromarkets, LLC.

**Recalculating Property Taxes**

When residential property values fall, the impact on local government budgets depends not only on the extent of the losses but also on when the losses are realized relative to the budget cycle. The timing can vary by state, and it depends on how property values are calculated. While most states use appraisals to estimate the market value of property, they update these estimates in very different ways. The way estimates are updated can have a significant impact on when the losses in property values are realized.

California, for example, reappraises the value of properties for tax purposes whenever ownership of the property changes. This forces cities in California to reduce the taxable value of a property when it goes through foreclosure. With foreclosures figuring so prominently in the past recession, this reappraisal mechanism has contributed to the budget challenges now facing California cities, as losses are realized immediately with every foreclosure.

Ohio, on the other hand, reappraises the value of properties for tax purposes every six years. While minor revisions are made between these formal appraisals, the methods are imprecise and they can miss big changes. Because a number of Ohio counties have yet to undergo the formal reassessment since the last recession, the full impact of the recession on property taxes and local government budgets may still lie ahead for many places.

Cuyahoga County is a case in point. One of Ohio's interim revision methods is to adjust the estimated tax value of

### Tab 3: Project Information

properties every three years based on the prior three years of property sales. Cuyahoga County (home to Cleveland) will undertake its formal reappraisal in 2012, along with 19 other counties. The last formal appraisal, in 2006, occurred near the peak of the market in Cuyahoga County. The 2009 adjustment included sale prices from 2006, a fairly strong year for the housing market. So even the adjusted property values in Cuyahoga County do not likely reflect the impact of recent housing price declines. Home values have continued to fall since the last adjustment, suggesting that there may be a large correction upon reappraisal.

#### **Cuyahoga County: A Case Study**

We estimated the loss in value that Cuyahoga County's property tax base might realize after its 2012 reappraisal. We started by acquiring the county's 2010 estimates of the market value of every taxable parcel of land in Cuyahoga County ("county estimates").

Next, we listed the sales prices of all residential properties sold for amounts over \$0 (including foreclosure sales) from 2006–2010. If a parcel was sold multiple times in a single year, we took only the last sale in that year. We used the sales prices to estimate the current market value of homes ("market estimates"). Some properties are sold for \$0, but the vast majority of these—transfers to trusts, interfamilial transfers, or other non-arms-length transactions—would provide no information about market value, so we exclude them.

The only type of \$0 transaction that might reflect market value is a transfer of property to a land bank. Transferring a property to a land bank should only occur when the property has no net value, which happens when the sum of the property's rehabilitation costs, including accrued code violations and property taxes, carrying costs, and transaction costs, are greater than the property's expected value. If we included these transfers, it would lower our market estimates somewhat, depending on how many of these transfers there are.

Finally, we compared the county estimates and the market estimates and calculated the annual gain or loss for each property. When the market estimate was higher than the county estimate, we would expect a gain after reappraisal. When the market estimate was lower, we would expect a loss after reappraisal.

It should be noted that the actual 2012 appraisal values will vary from our market estimates for a few reasons. First, we look only at residential property (both single and multifamily), and we use sale values that may be stale. When a property last sold in 2006 or 2007, we use that as our estimate of market value for 2012 despite the decline of home values since then.

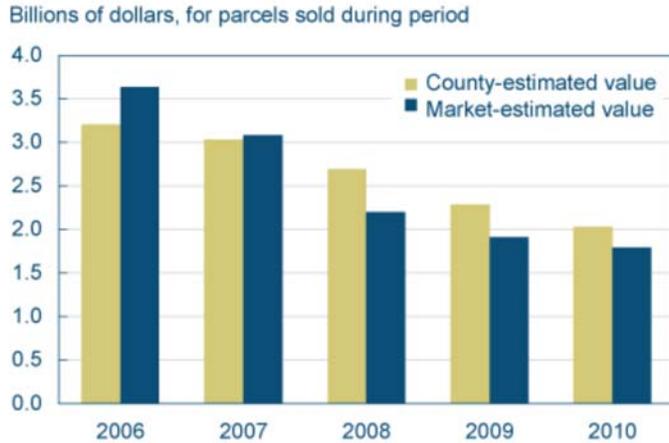
Second, our market estimates will be based on a sample that may not be representative, because we can only observe sales that occur. Blighted properties may not sell, just as properties in distressed neighborhoods may not sell. Conversely, people who own high-value properties may hold onto them in the hope of a market rebound.

Third, the actual reappraisal will consider 2011 sales information, which we do not yet have. Fourth, in 2012, appraisals will be "drive by" appraisals—so only the exterior of the home and neighborhood will be viewed. This will not reveal any substantial improvements inside the home, damage inside the home, or other defects such as cracks in the foundation.

Finally, appraisal is at least as much an art as it is a science. Deciding which properties to use as comparables and the extent to which home values should be adjusted based on neighborhood factors will vary depending on the appraiser.

As shown in figure 2, our market estimates give cause for concern. In 2006, when the last appraisal was conducted, and in 2007, market estimates of properties that sold exceeded county estimates. But since 2008 this trend has reversed. The differences between the market and county estimates from 2008 through 2010 imply that when property values are reassessed in 2012, they will be between 11 percent and 18 percent lower than the 2010 county estimates. The loss observed on property sales suggests that after reappraisal, the county tax base will be at least \$1.1 billion lower than it was in 2010. But this dollar value estimate is based on the roughly 65,500 properties that were sold between 2008 and 2010, and assumes all other property held its value.

**Figure 2. Estimated Market Values of Residential Properties: Cuyahoga County**



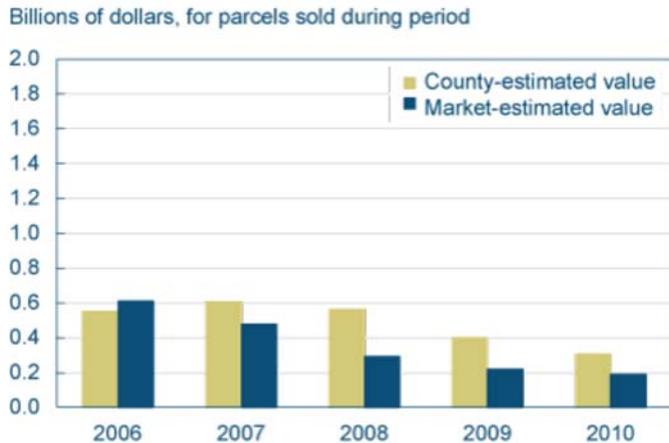
Source: Cuyahoga County auditor.

**Cleveland, Inner-Ring, and Outer-Ring Suburbs**

The declines in property values and the tax base are not distributed evenly across Cuyahoga County. The impact has been felt most strongly in Cuyahoga’s central city (Cleveland) and its inner-ring suburbs (those that border Cleveland). The outer-ring suburbs have not been hit as hard.

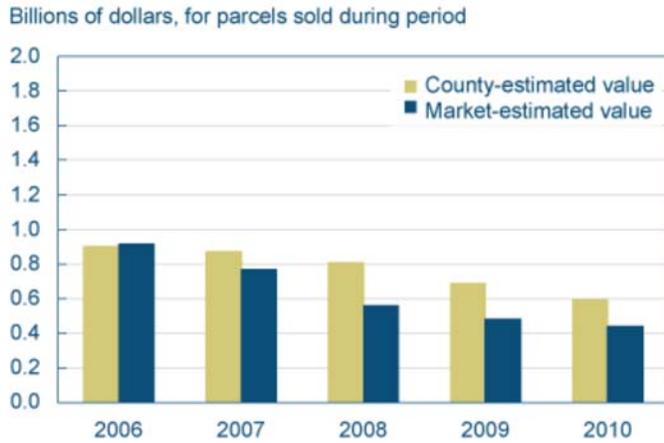
All of these areas have followed a similar pattern since the 2007 recession: Market estimates exceeded county estimates in 2007, and sometime thereafter the trend reversed and county estimates exceeded market estimates (figures 3–5). In Cleveland and the inner-ring suburbs the reversal began in 2007. In the outer-ring suburbs it began one year later. But the relative differences between the county and market estimates are larger in Cleveland and the inner-ring suburbs than in the outer-ring suburbs. This suggests that property values have fallen to different extents across the county.

**Figure 3. Estimated Market Values of Residential Properties: Cleveland**



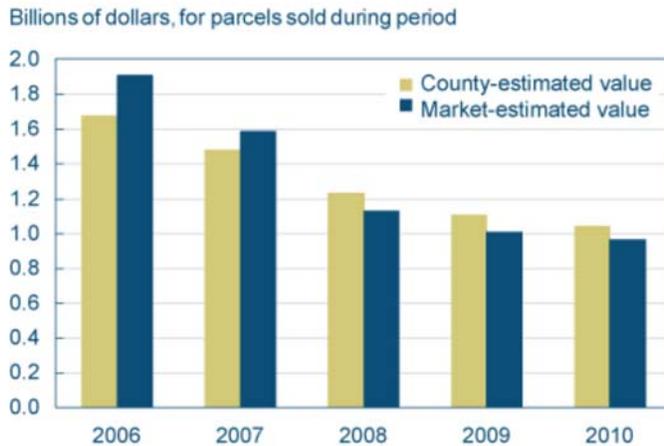
Source: Cuyahoga County auditor.

**Figure 4. Estimated Market Values of Residential Properties: Inner-Ring Suburbs**



Source: Cuyahoga County auditor.

**Figure 5. Estimated Market Values of Residential Properties: Outer-Ring Suburbs**



Source: Cuyahoga County auditor.

Table 1 contains the implied decline in property values calculated by comparing the market and county estimates. Again, keep in mind that the numbers are estimates, as looking only at the properties that sold is not a representative sample of taxable properties and the actual appraised values may vary for the reasons discussed earlier. Our nonrepresentative sample suggests that the outer-ring suburbs will fare best after the reappraisal, with new values coming in about 8 percent lower than they were in 2010.

**Table 1. Estimated Declines in Property Values since 2008**

	<b>Implied change 2008 (percent)</b>	<b>Implied change 2009 (percent)</b>	<b>Implied change 2010 (percent)</b>
<b>Cuyahoga County</b>	-18	-16	-11
<b>Cleveland</b>	-48	-45	-38
<b>Inner-ring suburbs</b>	-31	-30	-26

Tab 3: Project Information

<b>Outer ring suburbs</b>	-8	-9	-8
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Source: Cuyahoga County auditor.

While the decline in the outer-ring suburbs is relatively minor, any decline will present a new challenge that municipalities have not faced during or after prior recessions. According to local policymakers, market estimates of properties that sold have always exceeded county estimates. If our calculations are even close, the 2012 reappraisal will be a first.

Things look more troubling in the inner-ring suburbs and Cleveland. After the 2012 appraisal, the inner-ring suburbs may see property values fall 26 percent to 30 percent lower than the 2010 county estimate. Cleveland's appraisal may be 38 percent to 45 percent lower. If appraisals come in close to this far below the 2010 county estimates, Cleveland and the inner-ring suburbs may face a significant tax revenue shock in 2012.

### Implications for Tax Collections

Fortunately, large declines in the reappraisal values will have smaller effects on tax collections. In Cuyahoga County, residential property taxes are calculated by multiplying the tax rate of the district by 35 percent of the value of the home as appraised by the county. Basing property taxes on a percentage of the tax estimate reduces the impact of fluctuations in estimates on tax revenues. Governments sometimes use a value stabilizer in property tax calculations similar to that of Cuyahoga County, providing some protection against such steep declines in value.

This value-stabilizing feature would likely make the implied 8 percent decline in outer-ring-suburb property values have a small impact on property tax collection. However, any loss is unprecedented in the outer-ring suburbs, so the small loss could still cause problems in a post-recession environment experiencing sluggish recovery, where sales and income tax revenue remain low.

In Cleveland and the inner-ring suburbs, the impact on tax revenues might also be substantially lower than our market estimates imply. First, for many properties, any decline in the appraisal value will have no impact on tax collections. Residential property may be in a period of tax abatement, when no tax is owed on the property. This is particularly important in Cleveland, which has abated taxes on some new residential construction in order to draw new home owners into the city.

Second, not all residential property owners pay taxes. On average, 52,000 properties in Cuyahoga County are nontrivially tax-delinquent in a given month, which represents nearly 10 percent of the parcels in the county. (Whitaker, Fitzpatrick 2011) Any decline in the value of these properties will have no impact on tax collections, since nothing is being collected. For example, according to Cleveland's 2009 Comprehensive Annual Financial Report (available through the Division of Financial Reporting and Control), the city collected roughly 60 percent of real property tax revenue owed in 2008 and 2009.

But if the implied change is close to the reappraisal value, the impact on tax collections in the central city and inner-ring suburbs could be significant, amplifying their budget issues. Implied declines of 30 percent or 40 percent of residential property values suggest large declines in property taxes, even considering the value-stabilization feature of the tax revenue calculation. Other states that adjust their tax estimates using methods similar to Ohio's may also see municipal budget crises amplified by the fall in property values.

If creative ways to make up for this lack of revenue are not found, local governments may face the undesirable choice of either raising property taxes or reducing funding for essential services. Both actions may make the municipality a less desirable place for new home owners to locate. Weakening housing demand may lead to further declines in property values. In any case, it appears that the dramatic fall in property values across the country will accelerate the financial distress of municipalities in the wake of the Great Recession.

### Suggested Reading

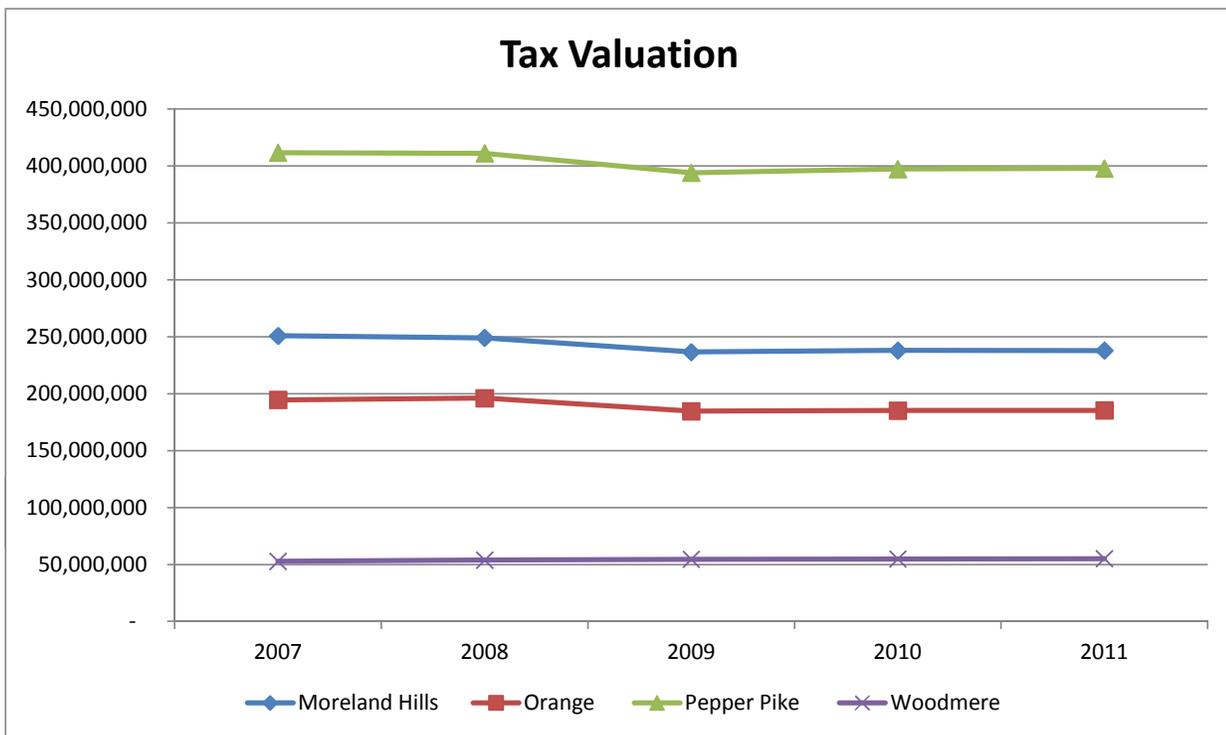
"Ohio's Land Banking Legislation: Modernizing an Aged Model," by Thomas J. Fitzpatrick IV, 2010. *Journal on Affordable Housing and Community Development Law*, vol. 19:3.

"The Impact of Vacant, Tax-Delinquent, and Foreclosed Property on Sales Prices of Neighboring Homes," by Stephan Whitaker and Thomas J. Fitzpatrick IV, 2011. Federal Reserve Bank of Cleveland working paper no. 11-23.

Tab 3: Project Information

**Tax Valuation - Cuyahoga County Auditor's Appraisal**

	Moreland Hills	Orange	Pepper Pike	Woodmere	Total for 4 Communities
<b>2007</b>	<b>250,883,130</b>	194,591,690	411,697,300	52,972,900	910,145,020
<b>2008</b>	249,149,470	196,199,290	411,189,860	54,064,990	910,603,610
<b>2009</b>	236,617,190	184,702,340	394,125,650	54,745,930	870,191,110
<b>2010</b>	238,023,120	185,316,570	397,278,510	54,954,270	875,572,470
<b>2011</b>	237,984,380	185,434,570	397,828,950	55,302,890	876,550,790
<b>% change from 2007 - 2011</b>	-5.14%	-4.71%	-3.37%	4.40%	-3.69%





## "Merging the Suburbs" event discusses collaboration efforts of Pepper Pike, Orange, Moreland Hills and Woodmere

Published: Thursday, October 13, 2011, 9:00 AM



**Faith Boone, Sun News**

By

The urge to merge was on the minds of all the people who attended the "Merging the Suburbs" event concerning collaboration efforts between Pepper Pike, Moreland Hills, Orange Village and Woodmere.

Pepper Pike Mayor Bruce Akers, Orange Village Mayor Kathy Mulcahy and Woodmere Mayor Charles Smith participated in a televised panel discussion where residents, city officials and public leaders could ask questions about the merger study being conducted by the county. Moreland Hills Mayor Susan Renda was unable to participate due to a personal matter.

WKYC TV-3 Senior Political Reporter Tom Beres was the moderator of the event, held at the Executive Caterers at Landerhaven Corporate Club in Mayfield Heights. He asked each mayor to answer questions about the development of the merger study and to give their thoughts on possible outcomes.

### **The idea to merge**

When asked about where the idea came from to conduct a study, and the possibility of a merger, Akers said it evolved over the years and there are a number of areas where collaboration efforts have already been seen between the four communities.

"The cost of government is getting way out of hand," Akers said. "There's got to be a way to collaborate, share services and do better with less."

Mulcahy said Orange Councilman Dan Brown did talk to people at Cleveland State University and Baldwin-Wallace College about doing a study focused on the consolidation of services.

"At the end of that study (the Baldwin-Wallace study), merger thoughts started because of the notion that there could be savings. The county provided resources, backing, and everything we needed to get this study underway," Mulcahy said.

Smith said first and foremost the group has to sit down and see what it wants to do with the study.

"I think it's going to take information from the county so we can make some good decisions to disseminate it back to our constituents," Smith said. "And then, from there, we can realize we're on board, we can make educated decisions about what our communities need, and move forward."

### **Potential savings**

Akers said the biggest area of potential savings is in personnel, since that comprises 70 percent of Pepper Pike's budget. Mulcahy said she knows there will be job loss of elected officials and other city employees, but people will not be laid off immediately. The group is looking to see what would be the best size government so residents get the highest quality of service at the most cost-efficient price.

Smith said it may be possible to reach cost savings without a merger, but without the information from a dollars-and-cents perspective it would be hard for him to make a decision on whether or not to go forward with the study.

"The study will help me be able to realize if I need a full-time fire department or a full-time police department, and if I can possibly get services from other communities to help us out and cut costs," he said. "This is not to say we are giving our fire and police away, but to entertain the idea of seeing the cost figures to make an educated decision. I think we can come up with a good idea from that."

### **Loss of local government revenue**

Akers said estate taxes are very significant in Pepper Pike. The loss of estate taxes and local government funds, and the fact that revenues are down, will take a toll. He said it is obligatory to find ways to make sure the communities don't have to cut services.

Mulcahy said Orange Village is in good financial shape right now, but the ever-increasing burden on the ever-decreasing population, the cost of services always going up and the resident base slowing down, could become a bigger problem down the line. The elimination of the estate tax will be a different issue for Orange, possibly putting a halt on some capital improvement projects.

Woodmere's financial picture is not in a dire situation, but it always has issues with services being 50-60 percent of the budget.

"For us being a small community with only six streets and about 300 homes, we rely on our commercial base to fund most of our revenue. With the downturn in the economy, the revenue is down on R.I.T.A. tax income, but we have been making quite a few cuts in different areas," Smith said.

### Tab 3: Project Information

"Estate taxes won't affect us as much as Pepper Pike, but it will affect us. We will have to make cuts, but we have done a lot to come up with better models for police and the fire department to save money."

#### **Identity crisis and county assistance**

When talking about the communities possibly losing their identities with a merger, Akers said 80 percent of the people he has talked to have been very positive about the study. The other 20 percent are concerned about loss of services and property values.

"I've got to believe that as the study goes on, we must communicate with people. We can't just surprise them with a plan a year down the road," he said.

Smith and Mulcahy said without the county's help, there would be no study.

"No question in my mind, the leadership that Ed FitzGerald has provided is very significant," Akers said.

#### **Five years out**

Akers said residents should continue to ask questions and stay informed. If it doesn't occur, in five years Pepper Pike will have finances on the tighter side and it will have to either raise taxes or lower services.

Smith said if there is not a merger in five years, he will still appreciate the information received from the county and that can be used to figure out where Woodmere would need to go in terms of fire and police.

Smith said a merger is possible. Mulcahy believes it's a long shot, due to all the hurdles to overcome. Akers said there are a number of bumps that could derail the study, but hopefully residents will see it is in the best interest of the four communities.

#### **What to expect next**

Mulcahy's expectations are to let the county planning commission do their work so the group can quantify and analyze the cost benefits. After that analysis, they will have enough information to go to the ballot next August to ask the voters of each community to endorse the idea of a formal study commission.

Once the group makes their recommendations about the term of "merger," there will be another vote in November 2013 and the results will take effect in January 2014.

"If we need more time to get it done right, then we need to get it done right," Mulcahy said.

**See more Chagrin Valley news at [cleveland.com/chagrin-valley](http://cleveland.com/chagrin-valley).**

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## East Side suburbs must consider police, fire, trash services; video: residents, businesses react

Published: Sunday, June 26, 2011, 6:00 AM Updated: Tuesday, June 28, 2011, 8:29 AM

**Laura Johnston, The Plain Dealer**  
By

**CORRECTION:** This story originally gave an incorrect number of firefighters in Pepper Pike. The city has 10 full-time and 10 part-time firefighters.

CLEVELAND, Ohio -- Moreland Hills picks up trash once a week. Woodmere collects twice. Orange pays a garbage contractor. Pepper Pike uses scooters to haul bags from backyards, rather than a curb.

Trash -- perhaps the most regular, most visible chore municipal governments perform -- is something all residents worry about. And it's one of many issues the **four East Side suburbs must study before asking voters to consider merging.**

The communities' mayors announced Wednesday they are studying a merger in the most significant step toward regionalism Cuyahoga County has ever seen. Now comes the tough stuff: comparing police staffing, mapping fire coverage, negotiating tax rates and compromising on employee benefits.

"There are some major hurdles here," said Pepper Pike Mayor Bruce Akers. "It's not going to be an easy set of discussions. But we have got to do it. We have got to start somewhere."

The suburbs were once part of Orange Township.

### Woodmere merger reaction

A Woodmere clothing store worker reacts to the proposed merger with Orange, Pepper Pike and Moreland Hills.

Now, they share schools and recreation programs. The villages of Moreland Hills, Orange and Woodmere collaborate for dispatch services, and all four communities contract for income tax collection.

But integrating the four into one city of 13,500 residents and 18 square miles? That's a daunting proposition.

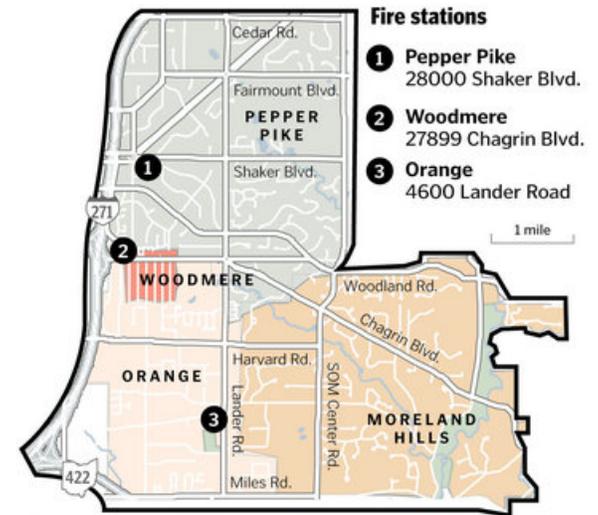
Residents buzzed about it last week in city halls and the local hardware store, from woodsy Moreland Hills to the traffic-jammed retail strip of Woodmere.

"I think a lot of people who have lived in the community a long time and who are satisfied with services will be against it," said long-time Orange resident Lenore Stern. "If it ain't broke, why fix it?"

None of the communities is broke. But most of the county's 59 communities are struggling with decreased tax revenues, and pending slashes in state aid. They're searching for any way to save.

## Fire protection in 'merged' community

Among the four East Side suburbs considering merging, there are three fire stations, in Orange, Pepper Pike and Woodmere. Moreland Hills pays the Chagrin Falls Suburban Volunteer Fireman's Association for coverage. What to do with the other three will be part of a year-long study, which will include response times, staffing, police and dispatch services.



SOURCES: ESRI; TeleAtlas; the communities THE PLAIN DEALER

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## Saving by consolidating?

Moreland Hills, Orange, Pepper Pike and Woodmere — all of which used to be part of Orange Township — are studying joining back together as a way to save money and provide more efficient services. The merged community would have a population similar to University Heights. So The Plain Dealer took a look at how salaries, staffing and taxes compare between the four small communities, and the bigger city.

	Moreland Hills	Orange	Pepper Pike	Woodmere	Four-city total	University Heights
Population	3,320	3,323	5,979	884	13,506	13,539
Police	13 full-time 2 part-time	13 full-time	15 full-time	15 full-time	56 full-time 15 part-time	26 full-time
Police per 1,000 residents*	4.2	3.9	2.5	15.8	4.7	1.92
Police chief salary	\$80,000	\$95,000	\$99,757	\$51,987	\$326,744	\$90,280
Firefighters	0	26 part-time	10 full-time 30 part-time	30 part-time	36 full-time 40 part-time	29 full-time
Fire chief salary	N/A	\$83,500	\$104,915	\$34,318	\$222,733	\$90,280
Law director	Contract	\$6,000	\$32,700	\$18,999	\$57,699	\$40,000
Mayor	\$46,751	\$38,000	\$55,000	\$32,000	\$172,651	\$70,025
Treasurer	\$32,364	\$30,000	\$87,984	\$18,540	\$168,888	\$70,000
Total city employees	39	56	88	74	257	104
Total payroll	\$2,029,479	\$2,591,517	\$4,420,880	\$1,432,687	\$10,474,563	\$4,772,892
Income tax	1.0%	2.0%	1.0%	2.5%		2.5%
Credit	0	0.90%	0.50%	2.5%		1.0%
Residential property tax**	\$224	\$217	\$291	\$132		\$404

\* Part-time officers/firefighters count as half full-time.

\*\*Property tax shown is the amount per \$100,000 of market value, for municipal taxes. Total tax bills are higher, as they include taxes for schools, the county and others.

SOURCE: The municipalities

LAURA JOHNSTON AND KEN MARSHALL THE PLAIN DEALER

## Tab 3: Project Information

Total city employees	39	56	88	74	257	104
Total payroll	\$2,029,479	\$2,591,517	\$4,420,880	\$1,432,687	\$10,474,563	\$4,772,892
Income tax	1.0%	2.0%	1.0%	2.5%		2.5%
Credit	0	0.90%	0.50%	2.5%		1.0%
Residential property tax**	\$224	\$217	\$291	\$132		\$404

\* Part-time officers/firefighters count as half full-time.  
 \*\*Property tax shown is the amount per \$500,000 of market value, for municipal taxes. Total tax bills are higher, as they include taxes for schools, the county and others.

SOURCE: The municipalities. LAURA JOHNSTON AND KEN MARSHALL, THE PLAIN DEALER

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The table above should show that Pepper Pike has only 10 part-time firefighters, not 30. -- Editor

"The local governments are faced with 'How do we tighten our belts, how do we do this smarter?' Because none of us want to raise taxes," said Moreland Hills Mayor Susan Renda. "This is a point which we need to reevaluate."

A **Baldwin-Wallace College study** released last year found significant benefits to consolidating police and fire services for Hunting Valley, Moreland Hills, Orange and Pepper Pike. Woodmere was not included in the survey. But consolidating the other four police departments could save more than \$500,000, while keeping the four police stations open, the study found. Consolidating fire departments could speed up response times.

### Orange Village resident reacts to merger question

A 30-year Orange Village resident responds to questions about the proposed merger.

"You have four police chiefs where you clearly only need one," said B-W Professor Phil Bussler, who lives in Orange.

Other residents may be torn by the idea of compromising their small-town identities. But Bussler is gung-ho for a merger.

"I'm willing to give up that small village feeling to make the region and these communities more efficient," he said. "What I care about is response time. If it's fire or police or EMS, I want response time, and I don't care what it says on the vehicle. What I care is that they're properly trained."

All four cities have more police officers than the national average of two officers per 1,000 residents. Woodmere has the most, 15 full-time and 13 part-time officers, or one for every 41 residents. A recent state audit recommended the village reduce the size of its force.

Woodmere's station for police and fire is almost exactly between police and fire stations in Orange and Pepper Pike, while Moreland Hills relies on the Chagrin Falls Suburban Volunteer Fireman's Association for coverage. Orange could often respond more quickly, according to the B-W study.

We want to maximize response times for all the [Chagrin] Valley residents," said Orange Mayor Kathy Mulcahy. "My guys don't like to sit there and listen to the calls and wait for Chagrin Falls to get there."

The communities will study response times and consider which, if any, departments to close. They will also have to consider whether firefighters should be full-time, like Pepper Pike, or part-time, as in Orange.

### Moreland Hills business owner responds to merger proposal

A new business owner in Moreland Hills has questions about the proposed merger with three other communities

The Cuyahoga County Planning Commission is leading the study, which county officials hope will serve as a blueprint for other cities contemplating merging.

"All those functions the four governments provide, we have to understand it very well on our way to what the future might look like," said county Planning Director Paul Alsenas. "One of the goals is to figure out if these services can be delivered in the most cost effective way."

Services would have to be reconciled, though.

The three villages clear snow from seniors' driveways. The city of Pepper Pike does not, but does repair damaged mailboxes and help with flooded basements. Woodmere gives free garbage bags and lends residents tables and chairs. "The residents, they'll call the service director for help moving the fridge," Woodmere village Clerk Deborah Gray said.

That's why Benjamin Clark, a professor at Cleveland State University's Levin College of Urban Affairs, believes residents should have a say in the study. They should decide, for example, whether they want to trade personal attention for potentially lower taxes. They should know all the options.

### Pepper Pike resident reacts to merger idea

A new Pepper Pike resident offers thoughts about proposed merger with three other Cuyahoga County communities.

"You have to make sure you outline the expectations of service at the start," said Clark, who was a budget analyst for Georgia's Athens-Clarke County Unified Government, which merged in 1990. "Which fire station do you close, which one do you keep open is going to be a highly political situation. You definitely have to

have the people involved."

### Tab 3: Project Information

Employees are another concern.

Administrative employees in all four communities are not protected by civil service. But Pepper Pike employees must pay monthly health insurance premiums, while employees in the villages don't. The communities have different paid holidays, longevity pay and vacation schedules, not to mention different pay scales.

Eliminating three police chiefs, three mayors and other duplicative positions, though, could save several hundred thousand dollars.

"It gets very detailed, very complex in sorting out what the options are," said Alsenas, of the planning commission.

The commission is starting to gather all the relevant information.

The final decision, though, belongs to the citizens, who would have to approve two votes -- one in fall 2012 to create a formal commission of representatives from each community, and one in fall 2013 to merge. Residents in each community would have to approve the merger. A defeat in any community would defeat the entire issue.

"The redundancy is amazing," Moreland Hills resident Newt Kimberly said, as he worked at Kredo Hardware, at Lander Circle, near the intersection of all four communities. "They're all such small communities. They all do the same thing. We all need fire, we all need police and garbage. We're already sharing a bunch of stuff. Why not share the rest of it?"

*Plain Dealer Data Analysis Editor Rich Exner contributed to this story.*

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Tuesday, February 28, 2012

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## Cuyahoga County exec FitzGerald looks to lead consolidation of gov't services



By JAY MILLER  
4:30 am, February 1, 2012

Cuyahoga County Executive Ed FitzGerald will unveil today a plan he believes will revolutionize the way government services are provided in the county. His plan would expand the role of county government and, he believes, will lead to more efficient government within Cuyahoga County, including the county's 59 municipal governments.

Under what he is calling the Western Reserve Plan, the county would become a central service provider that communities can contract with, if they choose, to reduce the costs of what eventually may be 30 municipal services, without giving up their individual identity. However, the plan does not contemplate a consolidation of the suburbs into a single unit or into larger and fewer communities.

In his second State of the County address today at the City Club of Cleveland, Mr.

Cuyahoga County Executive Ed FitzGerald

FitzGerald also will describe a commitment to spend the county's share of future casino revenue, estimated at least \$8 million a year, to help unify downtown Cleveland's scattered neighborhoods into what he calls "the capital of the county."

In all, the Western Reserve Plan has 12 components ranging from a \$100 million fund, already approved by county council, to retain and attract business to the county, to branding the community as a healthy and globally aware place to live and do business.

It also includes something he's calling Cuyahoga County 2.0 that will be a continuation of his effort to reduce the size of county government. In addition, his speech will touch on a plan to reorganize the way the county operates its human service programs.

"I want (Cuyahoga County) to be the premier county government in the United States," he said in a preview of his speech during a meeting with the Crain's Cleveland Business editorial board. "It's conceivable, which we couldn't have said a couple years ago."

### County offers itself as provider of services

Mr. FitzGerald said he intends to make the county an organization that can compete with existing municipal governments to provide services. He cited how the county board of health has taken over public health services for all but two municipalities in the county as an example of what could happen with information technology services. Only Cleveland and Shaker Heights still operate health departments that inspect restaurants and provide immunizations and diagnostic testing.

Mr. FitzGerald said he and his staff have identified 30 similar municipal services that the county could offer to cities and villages; they include information technology services, central 911 service and even sex crimes investigations.

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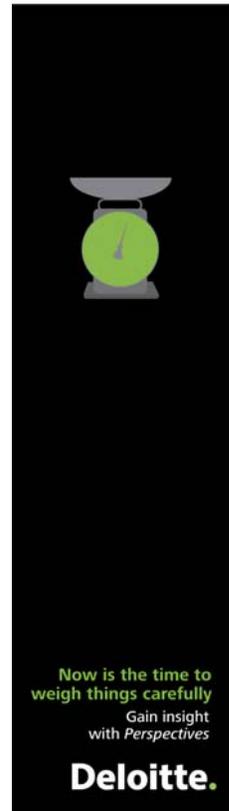


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## Tab 3: Project Information

He made clear that no city would be obligated to use the county services. However, he said he believes the county will be able to offer these services more effectively and cheaply than individual cities.

"This has the potential to revolutionize government," he said.

Mr. FitzGerald said this speech "probably will be the longest, most detailed State of the County (address) that I probably will ever give."

"We've been more than a year on the job and we have a lot to report," he said.

He will talk about his efforts to remove the stain of corruption that has cast a pall over Cuyahoga County government since the FBI raid on county offices in 2008. But, he said, it's time to look ahead.

He said he and his top administrators have been talking about many of the 12 proposals he will unveil today for a long time, but that only now does he believe he creditably can suggest them for county residents and municipal officials to consider seriously.

"We've proven over the last year that county government can be operated efficiently, openly and transparently," he said. "If I proposed this a year ago, it would have been premature" because of a lack of public confidence in county government.

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## Orange Village council studies Woodmere police contract

Published: Thursday, February 09, 2012, 9:00 AM



Faith Boone, Sun News

By



**ORANGE VILLAGE** -- Council received the contract concerning the village providing police services to Woodmere, and most members believe it could be a win-win situation.

Mayor Kathy Mulcahy said it looks likely that Orange will provide police services to Woodmere, possibly as soon as April 1. Developments are getting closer to an actual vote, and she thinks Woodmere Mayor Charles Smith deserves a lot of credit.

"It's very forward-thinking. I hope the relationship will be successful so we can break down the fear and barriers for doing this collaborative service sharing," Mulcahy said. "Woodmere will save money, it will underwrite additional safety forces for Orange, and we don't anticipate problems with it being successful."

Though Mulcahy said she is excited about the possibility and believes it is the right thing to do, some council members had concerns about Orange residents' safety.

Councilwoman Frances Kluter said a few residents are concerned the response time will not be the same for Orange residents with the added responsibility of the 800-plus residents of Woodmere and its commercial businesses.

"(Police) Chief (Christopher) Kostura said the residents would get the same level of care they get now," Kluter said. "I do support regionalization. There may be a modest financial gain, but we really won't know for sure how the numbers will crunch until after the first year."

Other council members were more worried about the \$500,000 offer made to Woodmere by Orange. Councilman Ed Bonk said he can't make a judgement on the matter until he can see a breakdown of the \$500,000.

Councilman Dan Brown said he fully supports exploring the possibility and hopefully succeeding in finding many opportunities for regionalism and shared services.

"I have not had a chance to evaluate the details of the proposal, but on the surface I am highly supportive of exploring it. I am hopeful the underlying documentation will be supportive of what appears on the surface to be a very positive and worthwhile merger for both communities," Brown said.

"I am not ready to render an opinion to move forward or not, because I haven't been provided the financial details of the agreement. I am very encouraged and optimistic. I look forward to getting all the specifics."

Councilwoman Lisa Perry said when she learned of the agreement a couple weeks ago, she had a lot of questions about Orange's financial position in the matter. After her concerns were calmed by talks with Kostura, she thought it was a great idea.

"It's regionalism at its finest," Perry said. "It's unfortunate that Woodmere is having such difficult financial issues, but if it takes this to get the ball rolling to see how collaborations can be successful, it could be positive for both communities."

Perry said she found comfort from a clause in the contract that states if either party is not making ends meet financially, they can go back to the drawing board and talk about what needs to be done.

Councilman Herbert Braverman said the agreement is a good example of the kind of regionalization that could create a win-win result for both

## Tab 3: Project Information

communities.

Councilmen Mark Parks and Brandon Duber said if the agreement makes sense financially for Orange, it's a good idea.

Mulcahy said Orange police can provide additional services to Woodmere residents that they aren't receiving now, such as rape aggression defense training, automatic license plate readers in police cruisers, child seat installation technicians, and other equipment and specialties.

Orange will also look to hire two new police officers to help provide services to Woodmere.

"Orange officers drive through Woodmere as a part of routine patrolling. This arrangement allows us to increase the numbers on our police force and our safety as well," she said. "We've been wanting to hire a 15th officer for years, but we didn't have the funding. Now, we will have 16 officers."

If Woodmere does contract out its police services to Orange, the Woodmere officers will lose their jobs. However, Mulcahy encourages those officers to apply for the two Orange police openings. The most qualified candidates among all who apply, from within and outside of the Woodmere police department, will be hired.

Mulcahy said Orange will make some appearances at Woodmere council meetings to get to know the village.

**See more Orange Village news at [cleveland.com/chagrin-valley](http://cleveland.com/chagrin-valley).**

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Sunday, February 26, 2012

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### Crain's editorial: It's a start

4:30 am, June 27, 2011

The towns are small, and the process launched by their mayors never may lead to its ultimate objective. We nonetheless give a shout of support to the mayors of Moreland Hills, Orange Village, Pepper Pike and Woodmere for beginning the informal process of exploring a merger of their four communities.

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Mergers are common in the private sector. Managers know the marketplace and investors reward efficiency, and that the greatest efficiency sometimes can be gained when duplicate layers of management and redundant operations are eliminated once two businesses combine.

The same motivation to merge hasn't existed in the public sector, at least not until recently.

Communities don't like to lose their identities, and politicians and the other

people who run municipal governments don't like to lose their jobs. So, local governments have gone merrily along without serious regard as to whether they'd be able to use taxpayer dollars more efficiently if they were to combine with another city, town or village.

However, the financial squeeze local governments have felt since the Great Recession has gotten their attention. With local income tax revenues sagging or stagnant and with the state slashing the amount of money it funnels to cities as it pushes its own budget pain down the line, the concept of collaboration with other communities as a way to cut costs has entered into the conversation of municipal leaders.

Now along comes last Wednesday's press conference announcing that the four aforementioned

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## Consolidation trailblazers?

Published: Saturday, June 25, 2011, 10:11 PM



**The Plain Dealer Editorial Board**

By

Mayors Susan Renda of Moreland Hills, Kathy Mulcahy of Orange Village, Bruce Akers of Pepper Pike and Charles Smith of Woodmere deserve a big round of applause for having the courage to say in public what many suburban politicians will readily concede in private: It no longer makes sense to go it alone.

Faced with rising costs and shrinking revenues, the four mayors have linked arms and started down a path that **could lead to a merger** of their four small communities.

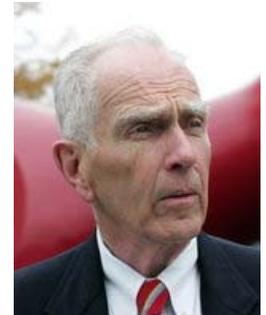
With assistance from Cuyahoga County Executive Ed FitzGerald and the county planning staff, the costs, benefits and details of a marriage will be studied for the next year. If that effort finds that a combined city could provide equal or better service for less money, the mayors will ask voters to authorize a merger study commission in November of next year. That panel could put a merger proposal on the ballot in 2013. If it passes in all four communities, a new city would be created.

That may seem like a lot of steps, but it guarantees a thorough vetting of costs and benefits and gives both supporters and opponents ample time to be heard.

By simply moving forward and asking the right questions, these four communities are establishing a valuable template others can -- and should -- follow. Mulcahy, an accountant by training, says she is sure a consolidated city could be run more efficiently, but she wants the numbers to prove it -- to her neighbors and to the wider community.

These four towns are obvious merger candidates: All came out of the former Orange Township. They share a school system and other services. They also have, in Akers, one of the most persistent voices for regional thinking in Greater Cleveland. Akers, 78, recently announced that he **won't seek a sixth term** this year. A merger that benefits his constituents and the entire region would be a fitting legacy.

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Chuck Crow, The Plain Dealer

Pepper Pike Mayor Bruce Akers has long been an advocate of reducing redundancies in local government.



## A huge step for regionalism: Chagrin Solon Sun editorial

Published: Friday, July 08, 2011, 3:59 PM



By Sun News staff



Regionalism is the latest buzzword in Greater Cleveland, as communities try to figure out how to do more with less and cut costs wherever possible to save money and maintain the highest level of services possible. Partnering with neighboring communities to provide the same service at a lower cost is one way area cities are finding they can shave their budgets.

In the Chagrin Valley, regionalism is nothing new — we have been practicing this concept for decades and it works just fine. The Chagrin Falls Suburban Volunteer Fireman's Association, Inc. provides fire and emergency medical services for Chagrin Falls Township, Moreland Hills, Hunting Valley, South Russell and Bentleyville in conjunction with the Chagrin Falls Village Fire Department. Though the Chagrin Valley Dispatch Council is new, the member communities of Bentleyville, Chagrin Falls, Chagrin Falls Township, Hunting Valley, Moreland Hills, Orange Village and South Russell have received police, fire and emergency dispatch services from Chagrin Falls for years. Each of the five school districts within this newspaper's coverage area serve multiple communities.

Why the recent announcement about four local communities entering into a study to look at sharing more services is such a big story is because it takes regionalism to the next step and opens the door for a possible merger of the communities. This will be watched very closely throughout the region and will likely spur other communities to engage in similar talks.

We applaud the willingness of officials in Moreland Hills, Orange Village, Pepper Pike and Woodmere to take part in this study and give serious consideration to all aspects of regionalism, including the possibility of a merger. There are many services each of these towns provide individually to their citizens, including their own police and service departments, that could be combined, eliminating redundancies and saving money for each municipality in the process.

We also applaud these officials for looking into a possibility that would leave many of them without jobs. If four communities merge into one, three mayors will find themselves out of a job, as will 21 council members, assuming the city's new council would include seven members. There are also other administrative staff from each community that would be pared down in the combination process. It would be easy for these officials to think only of themselves and dismiss any proposal that could eliminate their position, but they realize that it is in the best interest of all four communities to discuss sharing services or even merging, since all four are facing economic uncertainties in their own budgets.

While it is exciting to consider the possibilities associated with a merged community, we also realize that is a long way down the road, if it ever happens. Voters in each community will have to approve both the formation of a merger commission and, a year later, the actual merger before it would happen. Many residents in the four affected communities enjoy living in their particular community and would have to be sold on how little would actually change outside of the community name if a merger occurred. It will not be an easy sell and there is sure to be plenty of confusion along the way.

Yet this represents a great opportunity to blaze a new trail in this era of increased regionalism and officials in the four affected communities are wise not to let parochial concerns keep them from exploring every possible option to improve the fiscal health of their communities. Regional partnerships are a way of life in the Chagrin Valley; this would simply send a bold message to other communities across Greater Cleveland that regionalism truly knows no boundaries.

*That's what we think. Share your opinion on this editorial or other topics by sending a letter to the editor to [rjablonski@sunnews.com](mailto:rjablonski@sunnews.com), faxing your letter to (216) 986-2340 or mailing it to Ray Jablonski, Sun News East Group editor, 5510 Cloverleaf Parkway, Cleveland, OH 44125. All letters must include the author's name, city and a daytime phone number for verification.*

## Tab 4: Financial Documentation

### Project Costs

Most often when municipalities embark on a serious investigation of the potential of sharing services or merging, it is necessary to hire a consultant to conduct the feasibility study. However, because it is County Executive Edward FitzGerald's desire to encourage and facilitate regional collaboration and sharing of government services, his administration has committed the resources of the Commission to serve as the main investigator and project manager for the Study. The goal is to build in-house capacity at the County so that the lessons learned throughout the Study can be institutionalized in the creation of a template for use with other jurisdictions. With this in mind, the philosophy behind this detailed multi-faceted Study is for the Commission to utilize subject matter experts from a range of professions to learn about new or enhanced service delivery models as well as state-of-the-art local government management systems.

**This grant application requests \$100,000 to retain the subject matter experts needed to thoroughly explore the range of possibilities for improving Public Safety services in the four municipalities.**

### Project Budget

CATEGORIES	GRANT REQUEST	IN-KIND		TOTAL
		\$	Source	
1. Subject Matter Experts/ Content Management	\$100,000			\$100,000
2. Local Experts/ Collaborative Partners		\$50,000	Municipalities	\$50,000
3. Project Management and other County Support		\$100,000	County Planning Commission, Other County Departments	\$100,000
4. Grant Administration		\$10,000	County Planning Commission	\$10,000
5. Direct, Out-Of-Pocket Expenses (such as printing and mileage)		\$10,000	Municipalities, Cuyahoga County, other	\$10,000
<b>TOTAL</b>	<b>\$100,000 (37%)</b>	<b>\$170,000 (63%)</b>		<b>\$270,000</b>

As noted in the Project Budget, a considerable amount of in-kind services are being contributed by the County and the four municipalities ([A4.1 Extended Table of Organization](#)), totaling over two-thirds of the total project costs. To date, the municipalities have provided over \$5,500 in in-kind support through monthly meetings with the four Mayors and meetings with the Department Directors ([A4.2 Notarized In-Kind Matching Forms](#)). In addition, the Department Directors have begun to gather documentation on details related to service delivery. It is anticipated that throughout the remainder of the Study concentrating on Phases 2 and 3 for the Public Safety track, the municipalities will contribute another \$44,500 in in-kind support from the Mayors, the Fire Chiefs, Police Chiefs, Law Directors and other municipal staff members.

Through the end of 2011, the Cuyahoga County Planning Commission had devoted over 400 hours and \$30,000 in personnel costs to research, meetings with the Mayors and in-depth interviews and discussions with the Department Directors. The Department of Regional Collaboration has contributed 29 hours totaling over \$1,200 to date.

## Tab 4: Financial Documentation

As noted in Tab 3, the grant funds will be used to retain subject matter experts representing not only expertise in the fields of Police, Fire, and EMS, but also organization and management experts and financial expertise.

It is important to note that the overall *Merger/Shared Services Study* focusing on all four tracks will cost considerably more than the project budget outlined above for Phases 2 and 3 of the Public Safety track. In addition to the in-kind services delineated above, Cuyahoga County was awarded a \$34,130 grant from the Northeast Ohio Area Coordinating Agency to help defray costs of the overall *Merger/Shared Services Study*. The funds from this grant are being used towards immediate costs and towards expenses related to the three other tracks of the Study ([A4.3 NOACA Awards Grant to Support Four-City Merger Study](#)).

## Financial History of the Municipalities

(See [Supporting Documents](#) for most recent three years of financial history for each of the municipalities)

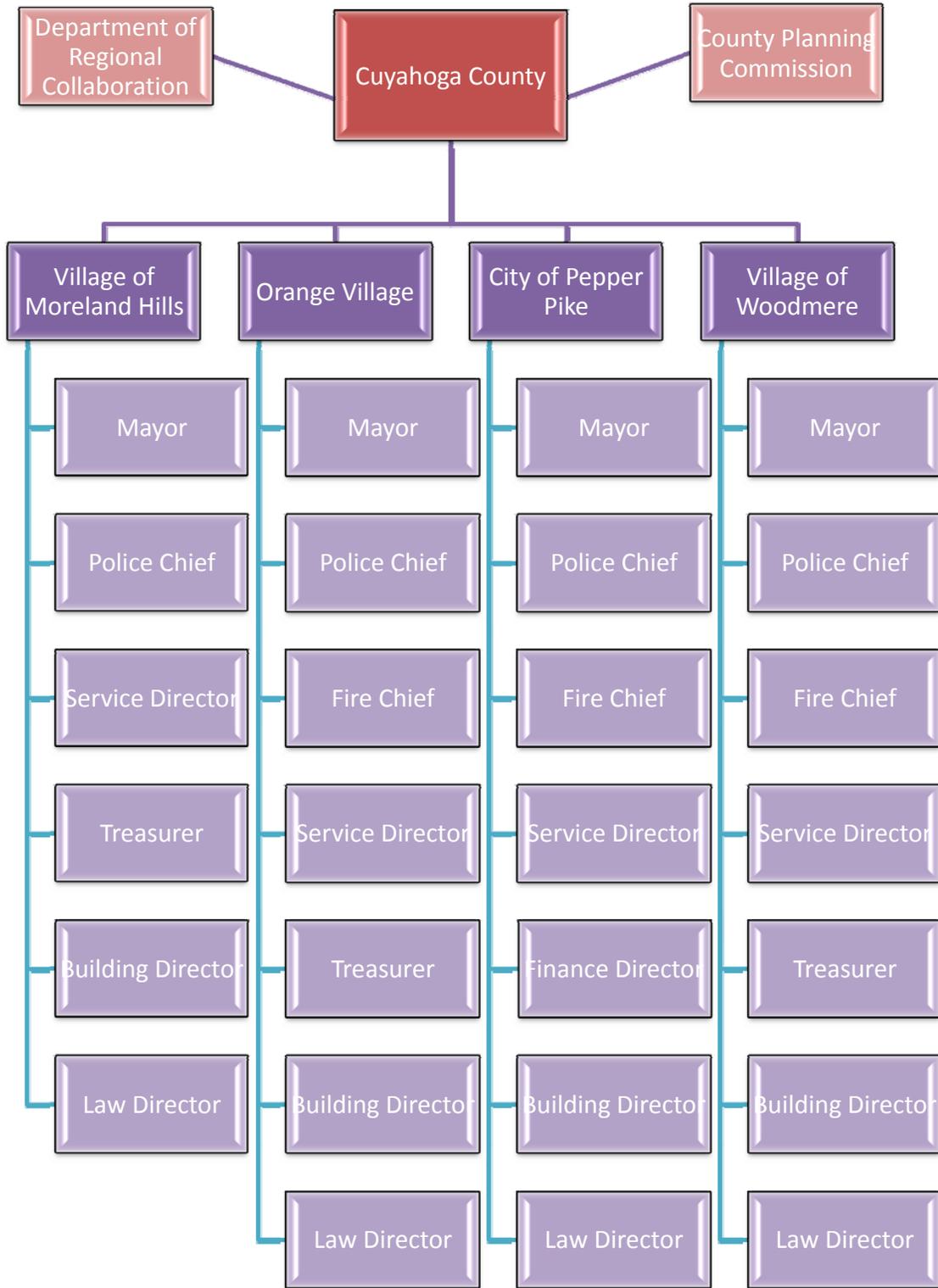
## Financial Projections for the Municipalities

The whole purpose of the *Merger/Shared Services Study* is to thoroughly analyze existing financial data to determine where new opportunities for shared or consolidated services will yield savings. For example, we know that a 2010 study conducted by Baldwin Wallace<sup>7</sup> revealed a savings of \$530,000 in salaries by combining service departments for the communities included in the study. According to a Cleveland Plain Dealer analysis, University Heights, a municipality with a similarly-sized population, operates their administration with significantly fewer employees and, respectively, at a lower cost than the four municipalities ([A3.8 “East Side suburbs must consider police, fire, trash services”](#)). While this may not be a direct, apple-to-apples comparison in terms of geography and demographics, an analysis like the Plain Dealer’s is what the *Merger/Shared Service Study* intends to definitively produce ([See Cleveland Plain Dealer Analysis](#)). Furthermore, we anticipate that our more in-depth look at these services will yield an even higher rate of savings than this cursory examination.

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<sup>7</sup> Municipal Services Collaboration Study Hunting Valley, Moreland Hills, Orange Village, and Pepper Pike, conducted by Baldwin Wallace, March 2010.

## Extended Table of Organization Municipal Personnel Providing In-Kind Services



## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Cuyahoga County Department of Regional Collaboration

Name: Emily Lundgard

Title/Occupation: Special Assistant for Regional Collaboration

Address: 1219 Ontario St., 4<sup>th</sup> Floor, Cleveland, Ohio 44113

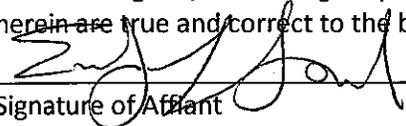
Phone Number: 216-348-4395

Email: elundgard@gmail.com

Date	Hours	Description of Service Provided
2/22/12	2	Mayors Meeting
1/18/12	2	Mayors Meeting
12/20/11	1.5	Mayors Meeting
11/18/11	1.5	Regional Collaboration/Planning Commission Planning Meeting
11/15/11	2	Mayors Meeting
10/18/11	2	Mayors Meeting
9/13/11	2	Mayors Meeting
	13	Total Hours
	\$28.85	Rate of Pay
	\$375.05	Total In-Kind Contribution as of 2/22/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 24<sup>th</sup> day of February, 2012.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: August 26, 2015

(Notary Seal)

**WHITNEY G. KWOK**  
**NOTARY PUBLIC • STATE OF OHIO**  
Recorded in Cuyahoga County  
My commission expires Aug. 26, 2015

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Cuyahoga County Department of Regional Collaboration

Name: Ed Jerse

Title/Occupation: Director of Regional Collaboration

Address: 1219 Ontario St., 4<sup>th</sup> Floor, Cleveland, Ohio 44113

Phone Number: 216-698-2061

Email: ejerse@cuyahogacounty.us

Date	Hours	Description of Service Provided
2/22/12	2	Mayors Meeting
1/18/12	2	Mayors Meeting
12/20/11	1.5	Mayors Meeting
11/18/11	1.5	Regional Collaboration/Planning Commission Planning Meeting
11/15/11	2	Mayors Meeting
10/18/11	2	Mayors Meeting
9/13/11	2	Mayors Meeting
8/9/11	2	Mayors Meeting
6/13/11	1	Regional Collaboration/Planning Commission Planning Meeting
	16	Total Hours
	\$51.69	Rate of Pay
	\$827.04	Total In-Kind Contribution as of 2/22/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*Ed Jerse*  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 24<sup>th</sup> day of February, 2012.  
Whitney G Kwok  
\_\_\_\_\_  
Notary Public

My Commission Expires: August 26, 2015

(Notary Seal)

WHITNEY G. KWOK  
NOTARY PUBLIC • STATE OF OHIO  
Recorded in Cuyahoga County  
My commission expires Aug. 26, 2015

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Entity: Cuyahoga County Planning Commission

Name: Paul Alsenas

Title/Occupation: Director

Address: 323 Lakeside Avenue West, Suite 400 Cleveland, Ohio 44113

Phone Number: (216) 773-0030

Email: palsenas@cuyahogacounty.us

<b>Date</b>	<b>Description of Service</b>	<b>Hours</b>
8/1/2011	MERGER STUDY	1
8/5/2011	MERGER STUDY	1
8/8/2011	MERGER STUDY	3
8/9/2011	MERGER STUDY/Mayors Monthly Meeting	4
8/10/2011	MERGER STUDY	4.5
8/23/2011	MERGER STUDY	2
8/24/2011	MERGER STUDY	2
8/26/2011	MERGER STUDY	1
8/29/2011	MERGER STUDY	2
8/30/2011	MERGER STUDY/Mayor Interview	4
8/31/2011	MERGER STUDY/Mayor Interview	6
9/6/2011	MERGER STUDY	2
9/7/2011	MERGER STUDY	3
9/8/2011	MERGER STUDY/Pepper Pike Directors	6
9/9/2011	MERGER STUDY	2
9/12/2011	MERGER STUDY	2.5
9/13/2011	MERGER STUDY/Mayors Monthly Meeting	5
9/14/2011	MERGER STUDY	2
9/15/2011	MERGER STUDY	4
9/19/2011	MERGER STUDY/Moreland Hills Directors	7
9/20/2011	MERGER STUDY/Woodmere Directors	2
9/21/2011	MERGER STUDY	3
9/22/2011	MERGER STUDY	2
9/23/2011	MERGER STUDY/Orange Police & Fire	7
9/26/2011	MERGER STUDY/Moreland Hills Directors	2
9/28/2011	MERGER STUDY	1
9/30/2011	MERGER STUDY	2

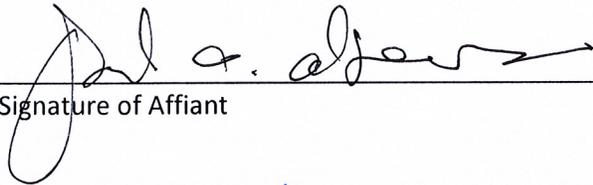
Tab 4: Financial Documentation

<b>Date</b>	<b>Description of Service</b>	<b>Hours</b>
10/3/2011	MERGER STUDY	2
10/4/2011	MERGER STUDY	2
10/5/2011	MERGER STUDY	3
10/6/2011	MERGER STUDY	5
10/7/2011	MERGER STUDY	4
10/12/2011	MERGER STUDY	1
10/13/2011	MERGER STUDY	4
10/14/2011	MERGER STUDY	1
10/17/2011	MERGER STUDY	4
10/18/2011	MERGER STUDY/Mayors Monthly Meeting	4
10/26/2011	MERGER STUDY	1
10/27/2011	MERGER STUDY	5
10/28/2011	MERGER STUDY	1
11/1/2011	MERGER STUDY	2
11/3/2011	MERGER STUDY	1
11/4/2011	MERGER STUDY	1
11/7/2011	MERGER STUDY	2
11/9/2011	MERGER STUDY	1
11/14/2011	MERGER STUDY	2
11/15/2011	MERGER STUDY/Mayors Monthly Meeting	5
11/16/2011	MERGER STUDY	1
11/17/2011	MERGER STUDY	1
11/28/2011	MERGER STUDY	1
11/29/2011	MERGER STUDY	1
11/30/2011	MERGER STUDY	1
12/2/2011	MERGER STUDY	1
12/5/2011	MERGER STUDY	1
12/7/2011	MERGER STUDY	2
12/8/2011	MERGER STUDY	1
12/9/2011	MERGER STUDY	1
12/12/2011	MERGER STUDY	1
12/13/2011	MERGER STUDY	1
12/14/2011	MERGER STUDY	3
12/15/2011	MERGER STUDY	1
12/16/2011	MERGER STUDY	1
12/19/2011	MERGER STUDY	1
12/20/2011	MERGER STUDY/Mayors Monthly Meeting	5
12/21/2011	MERGER STUDY	3
<b>Total Hours for Paul Alsenas</b>		<b>161</b>
<b>Total In-Kind Contribution as of 12/21/11</b>		<b>\$15,348.13</b>

\* Chargeable rate = actual hourly rate of pay plus an additive percentage that covers Public Employees Retirement System, Workers Compensation, paid holidays, vacation, and benefits.

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 29<sup>th</sup> day of February, 2012.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 11/20/12

(Notary Seal)

**MARIONETTE RICHARDSON SCOTT**  
Notary Public, State of Ohio, Cuy. Cty.  
My commission expires Nov. 20, 2012



## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Entity: Cuyahoga County Planning Commission

Name: Kristin Hopkins

Title/Occupation: Principal Planner

Address: 323 Lakeside Avenue West, Suite 400 Cleveland, Ohio 44113

Phone Number: (216) 773-0030

Email: khopkins@cuyahogacounty.us

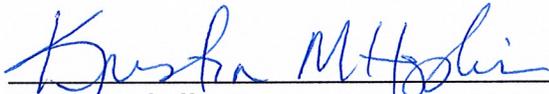
Date	Description of Service	Hours
8/4/2011	MERGER STUDY	3
8/5/2011	MERGER STUDY	4
8/8/2011	MERGER STUDY	6.5
8/9/2011	MERGER STUDY	5.5
8/10/2011	MERGER STUDY	7
8/11/2011	MERGER STUDY	2.5
8/29/2011	MERGER STUDY	2
8/30/2011	MERGER STUDY/Mayors Interview	7
8/31/2011	MERGER STUDY/Mayors Interview	3
9/6/2011	MERGER STUDY	3
9/7/2011	MERGER STUDY	3.5
9/8/2011	MERGER STUDY/Pepper Pike Directors	8.5
9/12/2011	MERGER STUDY	1
9/13/2011	MERGER STUDY/Mayors Monthly Meeting	6.5
9/19/2011	MERGER STUDY/Moreland Hills Directors	5
9/20/2011	MERGER STUDY/Woodmere Directors	7
9/22/2011	MERGER STUDY	3
9/23/2011	MERGER STUDY/Orange Police & Fire	8
9/26/2011	MERGER STUDY/Moreland Hills Directors	6

Date	Description of Service	Hours
9/28/2011	MERGER STUDY	2.5
10/6/2011	MERGER STUDY	2.5
10/11/2011	MERGER STUDY	3
10/12/2011	MERGER STUDY	3
10/13/2011	MERGER STUDY	7
10/17/2011	MERGER STUDY	3
10/18/2011	MERGER STUDY/Mayors Monthly Meeting	2.5
10/20/2011	MERGER STUDY	3.5
11/15/2011	MERGER STUDY/Mayors Monthly Meeting	4
11/18/2011	MERGER STUDY	2
12/19/2011	MERGER STUDY	1.5
12/20/2011	MERGER STUDY/Mayors Monthly Meeting	3.5
12/27/2011	MERGER STUDY	4
12/29/2011	MERGER STUDY	2
Total Hours		136
Total In-Kind Contribution as of 12/28/11		\$8,689.04

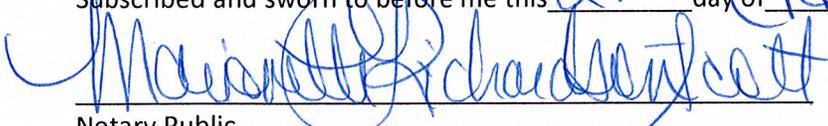
\* Chargeable rate = actual hourly rate of pay plus an additive percentage that covers Public Employees Retirement System, Workers Compensation, paid holidays, vacation, and benefits.

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 29<sup>th</sup> day of February 2012

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 11/20/12

(Notary Seal) **MARIONETTE RICHARDSON SCOTT**  
Notary Public, State of Ohio, Cuy. Cty.  
My commission expires Nov. 20, 2012

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Entity: Cuyahoga County Planning Commission

Name: Daniel Meaney

Title/Occupation: Principal Planner

Address: 323 Lakeside Avenue West, Suite 400 Cleveland, Ohio 44113

Phone Number: (216) 773-0030

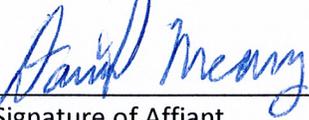
Email: dmeaney@cuyahogacounty.us

Date	Description of Service	Hours
9/22/2011	MERGER STUDY	1
9/23/2011	MERGER STUDY	1
9/26/2011	MERGER STUDY	2
9/28/2011	MERGER STUDY	4
Total Hours		<b>8</b>
Total In-kind Contribution as of 12/31/11		<b>\$519.68</b>

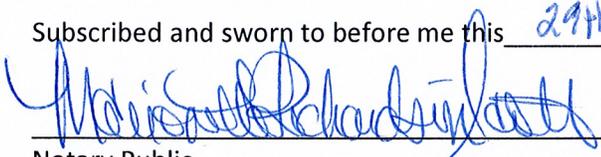
\* Chargeable rate = actual hourly rate of pay plus an additive percentage that covers Public Employees Retirement System, Workers Compensation, paid holidays, vacation, and benefits.

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 29th day of February, 2012.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 11/20/12

(Notary Seal)

**MARIONETTE RICHARDSON SCOTT**  
Notary Public, State of Ohio, Cuy. Cty.  
My commission expires Nov. 20, 2012

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Entity: Cuyahoga County Planning Commission

Name: Marionette Richardson-Scott

Title/Occupation: Principal Planner

Address: 323 Lakeside Avenue West, Suite 400 Cleveland, Ohio 44113

Phone Number: (216) 773-0030

Email: mrichardson@cuyahogacounty.us

Date	Description of Service	Hours
8/4/2011	MERGER STUDY	2.5
8/8/2011	MERGER STUDY	2
8/9/2011	MERGER STUDY/Monthly Mayors Meeting	7
8/25/2011	MERGER STUDY	3
8/26/2011	MERGER STUDY	3
8/29/2011	MERGER STUDY	3.5
8/30/2011	MERGER STUDY/Mayors Interview	8.5
8/31/2011	MERGER STUDY/Mayors Interview	1
9/2/2011	MERGER STUDY	6.5
9/7/2011	MERGER STUDY	5
9/8/2011	MERGER STUDY/Pepper Pike Directors	7
9/13/2011	MERGER STUDY/Mayors Monthly Meeting	3
9/22/2011	MERGER STUDY	8
9/23/2011	MERGER STUDY/Orange Police & Fire	6
10/17/2011	MERGER STUDY	2.5
10/18/2011	MERGER STUDY/Mayors Monthly Meeting	2.5
12/19/2011	MERGER STUDY	3
12/20/2011	MERGER STUDY/Mayors Monthly Meeting	3
12/28/2011	MERGER STUDY	7
Total Hours		84
Total In-Kind Contribution as of 12/28/11		

\* Chargeable rate = actual hourly rate of pay plus an additive percentage that covers Public Employees Retirement System, Workers Compensation, paid holidays, vacation, and benefits.

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*Maureen Richardson Scott*  
Signature of Affiant

Subscribed and sworn to before me this 29<sup>th</sup> day of February, 2012

*Sheila A. Thorne*  
Notary Public

My Commission Expires: June 20, 2016

(Notary Seal)

SHEILA A. THORNE  
Notary Public - State of Ohio  
My Commission Expires June 20, 2016  
Recorded in Cuyahoga County

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Village of Moreland Hills

Name: Susan C. Renda

Title/Occupation: Mayor

Address: 4350 SOM Center Road

Moreland Hills, OH 44022

Phone Number: 440-248-1188

Email: srenda@morelandhills.com

Date	Hours	Description of Service Provided
6-22-11	1	Meeting to announce collaboration study
6-27-11	1	WCPN interview
8-1-11	2	Wrote letter to residents re: study
8-9-11	2	Monthly mayors' meeting with CCPC
8-31-11	2	Mayor's interview with CCPC
9-13-11	2	Monthly Mayor's meeting with CCPC
10-18-12	2	Monthly Mayor's meeting with CCPC
11-15-12	2	Monthly Mayor's meeting with CCPC
12-20-12	2	Monthly Mayor's meeting with CCPC
1-18-12	2	Monthly Mayor's meeting with CCPC
	18	Total Hours
	22.48	Rate of Pay
	\$ 404.64	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §

STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

Susan C. Renda  
Signature of Affiant

Subscribed and sworn to before me this 24<sup>th</sup> day of February, 2012.  
Victoria M. Murfello  
Notary Public

**VICTORIA M. MURFELLO**  
Notary Public, State of Ohio  
Recorded in Geauga County  
My Comm. Expires 12/31/16

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Village of Moreland Hills

Name: Greg Potts

Title/Occupation: Building Inspector

Address: 4350 SOM Center Road  
Moreland Hills, OH 44022

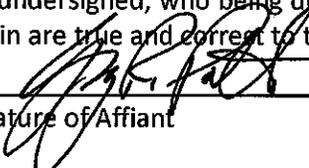
Phone Number: 440.248.1188

Email: building@morelandhills.com

Date	Hours	Description of Service Provided
9-19-12	2	Directors Meeting with CCPC
	2	Total Hours
	32.00	Rate of Pay
	\$ 64.00	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 24<sup>th</sup> day of February, 2012.  
Victoria M Murfello  
\_\_\_\_\_  
Notary Public  
My Commission Expires: 12/31/16

(Notary Seal)

**VICTORIA M. MURFELLO**  
Notary Public, State of Ohio  
Recorded in Geauga County  
My Comm. Expires 12/31/16

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Village of Moreland Hills

Name: Tom Flauto

Title/Occupation: Chief of Police

Address: 4350 SOM Center Road  
Moreland Hills, Ohio 44022

Phone Number: 440.248.7585

Email: chiefflauto@morelandhills.com

Date	Hours	Description of Service Provided
9-19-12	2	Moreland Hills Department Directors meeting
	2	Total Hours
	39.47	Rate of Pay
	\$	
	78.94 -	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

Thomas J. Flauto  
Signature of Affiant

Subscribed and sworn to before me this 24<sup>th</sup> day of February, 2012.

Victoria M. Murfello  
Notary Public

My Commission Expires: 12/31/16

(Notary Seal)

**VICTORIA M. MURFELLO**  
Notary Public, State of Ohio  
Recorded in Geauga County  
My Comm. Expires 12/31/16

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Moreland Hills

Name: Jeff Filarski

Title/Occupation: Village Engineer

Address: Chagrin Valley Enigneerng, Ltd.  
22999Forbes Rd. Ste. B Oakwood Village, Ohio 44146

Phone Number: 440-399-0810

Email: filarski@cvelimited.com

Date	Hours	Description of Service Provided
1/24/12	2.5	Met with Paul Alsenas and staff to discuss engineering and infrastructure
	2.50	Total Hours
	83.00	Rate of Pay
	\$ 207.50-	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*Jeff Filarski*  
 Signature of Affiant

Subscribed and sworn to before me this 27<sup>th</sup> day of February, 2012.

*Victoria M Murfello*  
 Notary Public

My Commission Expires: 12/31/16

(Notary Seal)

**VICTORIA M. MURFELLO**  
 Notary Public, State of Ohio  
 Recorded in Geauga County  
 My Comm. Expires 12/31/16

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Village of Moreland Hills

Name: Ted DeWater

Title/Occupation: Service Director

Address: 4350 SOM Center Rd.

Moreland Hills, OH 44022

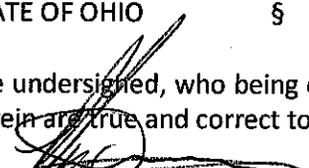
Phone Number: 440.248.1188

Email: service@morelandhills.com

Date	Hours	Description of Service Provided
9-19-11	2	Interview Meeting with CCPC
2-3-12	2	Service Directors Meeting with CCPC
	4	Total Hours
	35.87	Rate of Pay
	\$ 142.48	
	-	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 24<sup>th</sup> day of February, 2012.

Victoria M. Murfello  
\_\_\_\_\_  
Notary Public

My Commission Expires: 12/31/16

**VICTORIA M. MURFELLO**  
Notary Public, State of Ohio  
Recorded in Geauga County  
My Comm. Expires 12/31/16

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Village of Moreland Hills

Name: Vickie Murfello

Title/Occupation: Building/Service Clerk

Address: 4350 SOM Center Road  
Moreland Hills, OH 44022

Phone Number: 440.248.1188

Email: serviceassistant@morelandhills.com

Date	Hours	Description of Service Provided
2-3-12	2	Data gathering/entry
	2	Total Hours
	22.54	Rate of Pay
	\$ 45.08	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

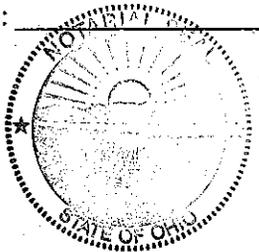
The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

Vickie M Murfello  
Signature of Affiant

Subscribed and sworn to before me this 2<sup>th</sup> day of February, 2012.  
Judith A Cageao Catania  
Notary Public

My Commission Expires: \_\_\_\_\_

(Notary Seal)



JUDITH A CAGEAO-CATANIA  
Notary Public  
In and for the State of Ohio  
My Commission Expires  
Nov. 15, 2014

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Moreland Hills

Name: Prashant Shah

Title/Occupation: Treasurer

Address: 4350 SOM Center Road, Moreland Hills, OH 44022

Phone Number: 440-617-4252

Email: prashant@morelandhills.com

Date	Hours	Description of Service Provided
9/26/11	2	Moreland Hills Directors
	2	Total Hours
	\$ 15.56	Rate of Pay
	\$ 31.12	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*Prashant Shah*  
Signature of Affiant

Subscribed and sworn to before me this 27<sup>TH</sup> day of February, 2012.

*Sharon Rose Jaeger*  
Notary Public

My Commission Expires: May 20 2016

(Notary Seal)

**SHARON ROSE JAEGER**  
Notary Public, State of Ohio  
My Commission Expires May 20, 2016

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: ORANGE VILLAGE  
 Name: ROBERT ZUGAN  
 Title/Occupation: SERVICE DIRECTOR  
 Address: 4160 LANDER RD  
ORANGE VILLAGE OHIO 44022  
 Phone Number: 440-498-4403  
 Email: ZUGANR@ORANGEVILLAGE.COM

Date	Hours	Description of Service Provided
9-13-11	2	MEETING WITH COUNTY REPS
2-3-12	2	MEETING WITH COUNTY REPS
10-6-11	1 1/2	MERGER w/ MAYOR LANDERHAUSEN
	0	Total Hours
	49.28	Rate of Pay (FRINGE RATE)
	\$ 271.04	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

Robert Zugan  
 Signature of Affiant

Subscribed and sworn to before me this 16<sup>th</sup> day of February, 2012

Mary Kampman  
 Notary Public

My Commission Expires: March 3, 2014

(Notary Seal)

MARY R. KAMPMAN  
 NOTARY PUBLIC STATE OF OHIO  
 MY COMMISSION EXPIRES MARCH 3, 2014

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Orange Village

Name: Kathy U Mulcahy

Title/Occupation: Mayor

Address: 4600 Lander Road

Orange Village, OH 44022

Phone Number: 440-498-4400

Email: mulcahyk@orangevillage.com; kathyum@aol.com

Date	Hours	Description of Service Provided
6-22-11	1	Ed FitzGerald Meeting to announce Merger Study
6-27-11	1	WCPN – Radio interview about Merger Study
7-12-11	2	Meeting with Ohio News Network
8-9-11	2	Monthly Mayor’s Meeting with CCPC
8-30-11	2	Mayor’s Meeting with CCPC
9-13-11	2	Meeting with Directors and CCPC
10-5-11	1	Phone Conference
10-6-11	1.5	Corporate Club Lunch – discussion concerning Merger Study
10-13-11	2	Efficientgov Conference – Spoke about Merger Study
10-18-11	2	Monthly Mayor’s Meeting with CCPC
11-15-11	2	Monthly Mayor’s Meeting with CCPC
12-20-11	2	Monthly Mayor’s Meeting with CCPC
1-18-12	2	Monthly Mayor’s Meeting with CCPC
	22.50	Total Hours
	\$47.00 per hr	Rate of Pay
	\$ \$1,057.50	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §

STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

Kathy U Mulcahy  
Signature of Affiant

Subscribed and sworn to before me this 22<sup>nd</sup> day of February, 2012

Mary Kampman  
Notary Public

My Commission Expires: 3-3-14

(Notary Seal)

**MARY R. KAMPMAN**  
NOTARY PUBLIC STATE OF OHIO  
MY COMMISSION EXPIRES MARCH 3, 2014

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Orange Village

Name: Chris Kostura

Title/Occupation: Police Chief

Address: 4600 Lander Road

Orange Village, OH 44022

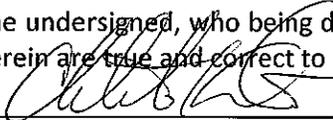
Phone Number: 440-498-4401

Email: kosturac@OrangeVillage.com

Date	Hours	Description of Service Provided
9-23-11	2.0	Meeting with CCPC and Orange Village Fire
10-6-11	1.5	Corporate Club Lunch – discussion concerning Merger Study
	3.5	Total Hours
	62.98	Rate of Pay - Fringe
	\$220.43	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.



Signature of Affiant

Subscribed and sworn to before me this 21<sup>st</sup> day of February, 2012

  
Notary Public

My Commission Expires: 3-3-14

(Notary Seal)

MARY R. KAMPMAN  
NOTARY PUBLIC STATE OF OHIO  
MY COMMISSION EXPIRES MARCH 3, 2014

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: ORANGE VILLAGE  
 Name: DAVID TBLOOM  
 Title/Occupation: TREASURER  
 Address: 4600 LANDER ROAD  
ORANGE VILLAGE, OHIO 44022  
 Phone Number: 440-287-5136  
 Email: TBLOOMD @ ORANGEVILLAGE.COM

Date	Hours	Description of Service Provided
9   13   11	2	MEET WITH COUNTY REPS. (P. ALSENAS, ETC.) @ ORANGE VILLAGE HALL
1   18   12	2	PREPARE FOR AND MEET WITH COUNTY REPS. @ ORANGE VILLAGE HALL
	4 0	Total Hours
	\$73 / HOUR	Rate of Pay
	\$ 292-	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*David Bloom*  
 Signature of Affiant

Subscribed and sworn to before me this 17 day of February, 2012  
*Elizabeth L. DeBaccis*  
 Notary Public

My Commission Expires: April 25, 2016

(Notary Seal)

ELIZABETH L. DEBACCIS  
 NOTARY PUBLIC - STATE OF OHIO  
 Recorded in Geauga County  
 My commission expires Apr. 25, 2016



## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: City of Pepper Pike

Name: Richard M. Bain

Title/Occupation: Mayor

Address: 28000 Shaker Blvd.  
Pepper Pike, OH, 44122

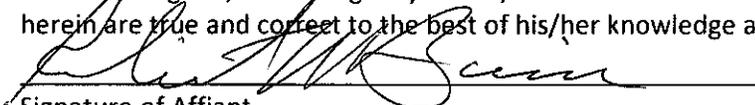
Phone Number: 216 896-6126

Email: bain@pepperpike.org

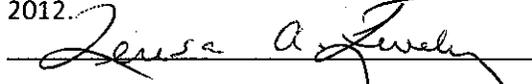
Date	Hours	Description of Service Provided
6-22-11	1	Meeting to announce collaboration study (Former Mayor Akers, hereinafter referred to as "Akers")
6-27-11	1	WCPN interview (Akers)
8-9-11	2	Monthly mayors' meeting with CCPC (Akers)
8-30-11	2	Mayor's interview with CCPC (Akers)
9-13-11	2	Monthly Mayor's meeting with CCPC (Akers)
10-18-12	2	Monthly Mayor's meeting with CCPC (Akers)
11-15-12	4	Monthly Mayor's meeting with CCPC (Akers and Mayor elect Bain)
12-20-12	4	Monthly Mayor's meeting with CCPC (Akers and Mayor elect Bain)
1-18-12	2	Monthly Mayor's meeting with CCPC (Bain)
	20	Total Hours
	\$35.25	Rate of Pay
	\$ 705.00	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
Signature of Affiant

Subscribed and sworn to before me this 27th day of February, 2012.

 Notary Public

My Commission Expires: 3/9/16



TERESA A. LIVELY, NOTARY PUBLIC  
RESIDENCE-SUMMIT COUNTY  
#172061  
STATEWIDE JURISDICTION, OH  
COMMISSION EXP. MARCH 9, 2016

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Pepper Pike

Name: Robert J. Girardi

Title/Occupation: Director of Service

Address: 28000 Shaker Blvd., Pepper Pike OH 44124

Phone Number: 216-896-6149

Email: girardi@peppepike.org

Date	Hours	Description of Service Provided
9/13/11	2	Meeting with Cuyahoga County Planning Commission
10/6/11	1.5	Corporate Club Luncheon: Announcing Merger
2/13/12	2	Meeting with Planning Commission
	5.5	Total Hours
	63.16	Rate of Pay
	\$ 347.38	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

Robert J. Girardi  
Signature of Affiant

Subscribed and sworn to before me this 24th day of February, 2012.

Darla R. Wegenek  
Notary Public

My Commission Expires: November 7, 2014

(Notary Seal)



**DARLA R. WEGENEK**  
Notary Public, State of Ohio  
Cuyahoga County  
My Commission Expires  
NOVEMBER 7, 2014

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: City of Pepper Pike

Name: Nino Monaco

Title/Occupation: Building Commissioner

Address: 28000 Shaker Blvd.  
Pepper Pike, OH 44124

Phone Number: 216-896-6134

Email: building@pepperpike.org

Date	Hours	Description of Service Provided
10-06-12	1.5 hrs.	Corporate Club Lunch - discussion concerning Merger Study
	1.5	Total Hours
	67.30	Rate of Pay
	\$ 100.95	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

\_\_\_\_\_  
 Signature of Affiant

Subscribed and sworn to before me this 23<sup>rd</sup> day of February, 2012.

Teresa A. Lively  
 Notary Public

My Commission Expires: March 9, 2016

(Notary Seal)



TERESA A. LIVELY, NOTARY PUBLIC  
 RESIDENCE-SUMMIT COUNTY  
 #172061  
 STATEWIDE JURISDICTION, OH  
 COMMISSION EXP. MARCH 9, 2016

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: PEPPER PIKE  
 Name: THOMAS J HARTMAN  
 Title/Occupation: FIRE CHIEF  
 Address: 28000 SHAKER BLVD  
PEPPER PIKE, OHIO 44124  
 Phone Number: 1-216-896-6139 (FIRE)  
 Email: THARTMAN@PEPPERPIKE.ORG

Date	Hours	Description of Service Provided
Sept. 8 - 2011	1.5	met C county Reps at Pepper Pike
Oct. 6, 2011	1.5	lunch / merger mtg @ LANSDALE
	3.0	Total Hours
	73.88	Rate of Pay
	\$221.64	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*Thomas J Hartman*  
 Signature of Affiant

Subscribed and sworn to before me this 23<sup>rd</sup> day of February, 2012  
*Teresa A. Lively*  
 Notary Public  
 My Commission Expires: 3/9/16

(Notary Seal)



TERESA A. LIVELY, NOTARY PUBLIC  
 RESIDENCE-SUMMIT COUNTY  
 #172061  
 STATEWIDE JURISDICTION, OH  
 COMMISSION EXP. MARCH 9, 2016

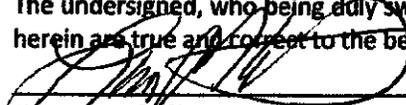
**Merger/Shared Services Study For Moreland Hills, Orange, Pepper  
Pike and Woodmere  
Documentation of In-Kind Services Provided to Date**

Community: CITY OF PEPPER PIKE  
 Name: LOREN SENGSTOCK  
 Title/Occupation: FINANCE DIRECTOR  
 Address: 28000 SHAKER BLVD  
PEPPER PIKE, OH 44124  
 Phone Number: (216) 896-6124  
 Email: LSENGSTOCK@PEPPERPIKE.ORG

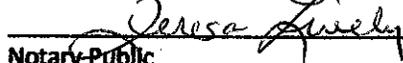
Date	Hours	Description of Service Provided
9/8/2011	1.5 HRS	MEET WITH CCPC (PAUL ALSENAS) @ CITY HALL
10/6/2011	1.5 HRS	MEETING TO HEAR ABOUT MERGER UPDATE(S).
	3.0	Total Hours
	\$60/Hour	Rate of Pay
	\$180.00	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
 Signature of Affiant

Subscribed and sworn to before me this 23rd day of February, 2012.

  
 Notary Public

My Commission Expires: 3/9/14

(Notary Seal)



TERESA A. LIVELY, NOTARY PUBLIC  
 RESIDENCE-SUMMIT COUNTY  
 #172061  
 STATEWIDE JURISDICTION, OH  
 COMMISSION EXP. MARCH 9, 2016

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Pepper Pike

Name: Jack Crivel

Title/Occupation: Chief of Police

Address: 28000 Shaker Blvd.  
Pepper Pike, Ohio 44124

Phone Number: (216) 896-6118

Email : policechief@pepperpike.org

Date	Hours	Description of Service Provided
9/8/11	1.5	Meet with CCPC
10/6/11	1.5	Mayor's Luncheon at Landerhaven
	3	Total Hours
	66.28	Rate of Pay
	\$ 198.84	
	-	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*Jack Crivel*  
 Signature of Affiant

Subscribed and sworn to before me this 23<sup>rd</sup> day of February, 2012.

*Teresa Lively*  
 Notary Public

My Commission Expires: 03/09/16

(Notary Seal)



TERESA A. LIVELY, NOTARY PUBLIC  
 RESIDENCE-SUMMIT COUNTY  
 #172061  
 STATEWIDE JURISDICTION, OH  
 COMMISSION EXP. MARCH 9, 2016

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Woodmere Village

Name: Charles Smith

Title/Occupation: Mayor

Address: 27899 Chagrin Blvd.

Woodmere Village, OH 44122

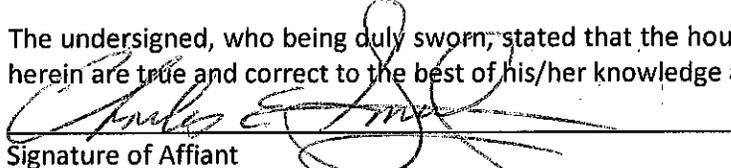
Phone Number: 216-831-9511

Email: csmith@woodmerevillage.com

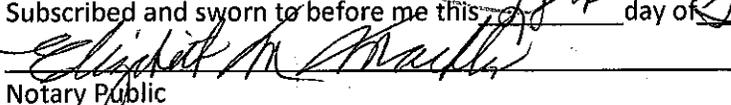
Date	Hours	Description of Service Provided
8/9/11	2	Monthly Mayor's Meeting with CCPC
8/31/11	2	Mayor's Interview
9/13/11	2	Monthly Mayor's Meeting & Orange Directors
10/18/11	2	Monthly Mayor's Meeting with CCPC
11/15/11	2	Monthly Mayor's Meeting with CCPC
12/20/11	2	Monthly Mayor's Meeting with CCPC
1/18/12	2	Monthly Mayor's Meeting with CCPC
	14	Total Hours
	\$ 46.71	Rate of Pay
	\$ 653.94	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
Signature of Affiant

Subscribed and sworn to before me this 28th day of February, 2012.

  
Notary Public

My Commission Expires: 2-13-13  
(Notary Seal)

**ELIZABETH M. MACKLIN, Notary Public**  
State of Ohio, Cuyahoga County  
2-13-13

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Woodmere Village

Name: Louis Hovancsek

Title/Occupation: Building Director

Address: 27899 Chagrin Blvd.

Woodmere Village, OH 44122

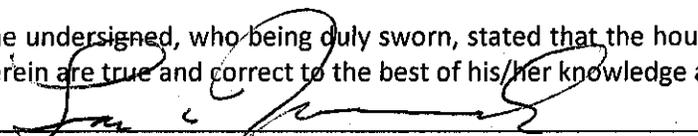
Phone Number: 216-831-9511

Email: lhovancsek@woodmerevillage.com

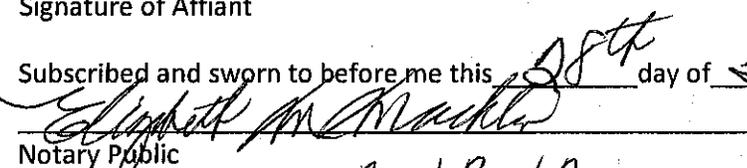
Date	Hours	Description of Service Provided
9/13/11	2	Woodmere/Orange Directors Meeting
	2	Total Hours
	\$ 30.56	Rate of Pay
	\$ 61.12	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
Signature of Affiant

Subscribed and sworn to before me this 28<sup>th</sup> day of Feb, 2012

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 2-13-13

(Notary Seal)

**ELIZABETH M. MACKLIN, Notary Public**  
State of Ohio, Cuyahoga County  
My Commission Expires 2-13-13

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere

### Documentation of In-Kind Services Provided to Date

Community: Woodmere Village

Name: Bonnie Porter

Title/Occupation: Assistant Treasurer

Address: 27899 Chagrin Blvd.  
Woodmere Village, OH 44122

Phone Number: 216-831-9511

Email: bporter@woodmerevillage.com

Date	Hours	Description of Service Provided
9/20/11	2	Woodmere Directors Meeting
	2	Total Hours
	\$ 37.12	Rate of Pay
	\$ 74.24	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
 STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

Bonnie Porter  
 Signature of Affiant

Subscribed and sworn to before me this 28th day of February, 2012  
Elizabeth M. Macklin  
 Notary Public

My Commission Expires: 2-13-13  
 (Notary Seal)

**ELIZABETH M. MACKLIN, Notary Public**  
 State of Ohio, Cuyahoga County  
 My Commission Expires: 2-13-13

## Merger/Shared Services Study For Moreland Hills, Orange, Pepper Pike and Woodmere Documentation of In-Kind Services Provided to Date

Community: Woodmere Village

Name: Jim Fisher

Title/Occupation: Service Director

Address: 27899 Chagrin Blvd.

Woodmere Village, OH 44122

Phone Number: 216-831-9511

Email: jfisher@woodmerevillage.com

Date	Hours	Description of Service Provided
9/20/11	2	Woodmere Directors Meeting
	2	Total Hours
	\$ 57.96	Rate of Pay
	\$ 115.92	Total In-Kind Contribution as of 2/6/12

COUNTY OF CUYAHOGA §  
STATE OF OHIO §

The undersigned, who being duly sworn, stated that the hours of work certified for the purposes stated herein are true and correct to the best of his/her knowledge and belief.

*J Fisher*  
Signature of Affiant

Subscribed and sworn to before me this 28<sup>th</sup> day of February, 2012

*Elizabeth M Macklin*  
Notary Public

My Commission Expires: 2-13-13

**ELIZABETH M. MACKLIN, Notary Public**  
State of Ohio, Cuyahoga County  
My Commission Expires 2-13-13

(Notary Seal)



**EDWARD FITZGERALD**  
Cuyahoga County Executive

FOR IMMEDIATE RELEASE

Media Contacts: John Kohlstrand: (216) 698-2099 or [jkohlstrand@cuyahogacounty.us](mailto:jkohlstrand@cuyahogacounty.us)

Nicole Dailey Jones: (216) 263-4602, (216)338-0863 or [ndjones@cuyahogacounty.us](mailto:ndjones@cuyahogacounty.us)

### **NOACA AWARDS GRANT TO SUPPORT FOUR-CITY MERGER STUDY**

CLEVELAND — Cuyahoga County government has been awarded a \$34,130 grant to study a possible merger of four communities in southeast Cuyahoga County.

The award was approved Friday by the Governing Board of the Northeast Ohio Areawide Coordinating Agency (NOACA). Cuyahoga County had sought the grant in order to support and supplement the efforts of the Cuyahoga County Planning Commission to study a possible merger of Pepper Pike, Orange Village, Moreland Hills and Woodmere.

The grant will likely be used to undertake analyses of such things as the merger of safety forces and finance systems.

"I appreciate NOACA stepping forward to support this important study," Cuyahoga County Executive Ed FitzGerald said. "We've made it a priority in county government to help communities look for ways to share services and collaborate. These four communities are at the cutting edge of such efforts. It's great to see NOACA support this effort."

On June 22, Ed FitzGerald and mayors Bruce Akers of Pepper Pike, Kathy Mulcahy of Orange Village, Susan Renda of Moreland Hills, and Charles Smith of Woodmere announced that the four communities wished to launch a study of a possible merger.

The Cuyahoga County Planning Commission is leading the study effort. Planning Commission staff recently met with the four mayors to discuss a work plan and timeline for the study.

###

## **Tab 5: Supporting Documentation**

### **SD5.1 Memorandum of Mutual Understanding and Collaboration (Executed Partnership Agreement)**

#### **SD5.2 Resolutions of Support**

- SD5.2.1 Cuyahoga County Resolution of Support
- SD5.2.2 Village of Moreland Hills Resolution of Support
- SD5.2.3 Orange Village Resolution of Support
- SD5.2.4 City of Pepper Pike Resolution of Support
- SD5.2.5 Village of Woodmere Draft Resolution of Support

#### **SD5.3 Financial and Performance Audits**

- SD5.3.1 Village of Moreland Hills - 2008
- SD5.3.2 Village of Moreland Hills - 2009
- SD5.3.3 Village of Moreland Hills - 2010
- SD5.3.4 Orange Village - 2008
- SD5.3.5 Orange Village - 2009
- SD5.3.6 City of Pepper - 2008
- SD5.3.7 City of Pepper Pike - 2009
- SD5.3.8 City of Pepper Pike - 2010
- SD5.3.9 Village of Woodmere - 2008-2009
- SD5.3.10 Village of Woodmere Police Department Performance Audit

#### **SD5.4 Documentation from the 2010 U.S. Census Identifying each Municipality**

#### **SD5.4 Documentation from the 2010 U.S. Census Identifying each Municipality**

#### **SD5.5 Self-score assessment**

**MEMORANDUM OF MUTUAL UNDERSTANDING AND COLLABORATION  
(MUAC)  
Between  
CUYAHOGA COUNTY  
And  
VILLAGE OF MORELAND HILLS, ORANGE VILLAGE, CITY OF  
PEPPER PIKE, AND VILLAGE OF WOODMERE**

This memorandum of Mutual Understanding and Collaboration (“MUAC”) describes the relationship between Cuyahoga County and the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere (“the four municipalities”). Further, this MUAC articulates our mutual objectives and agreements, and the manner in which we will work together to advance the *Merger/Shared Services Study* (“the Study”) being conducted by the Cuyahoga County Planning Commission on behalf of Cuyahoga County by and through its Department of Regional Collaboration for the four municipalities.

**1. SHARED OBJECTIVES**

- A. We share common concerns for the financial welfare and future sustainability of our respective communities;
- B. We share a desire to use best practices in the delivery of municipal services our residents have come to rely upon;
- C. We share a desire to deliver municipal services to our residents in the most efficient and cost effective manner possible; and
- D. We share a desire to have among our four municipalities: 1) a full understanding of each department, service delivery model, and administrative operation within our respective communities individually and collectively; 2) knowledge of the full range of possibilities for coordination of services, sharing of services, and/or the merger of the four municipalities; 3) an understanding of the implications, cost, benefit and effectiveness of coordinated or shared services and/or the merger of the four municipalities; and 4) the full-depth of information required to help our residents make good decisions regarding the questions of the coordination of services, sharing of services, and/or the merger of the four municipalities.
- E. We share a desire to implement coordinated or shared service arrangements as the opportunities arise when due diligence indicates there are benefits to such arrangements.

**2. PURPOSE**

The purpose of this MUAC is to identify and formalize the roles and responsibilities of Cuyahoga County and the four municipalities during the *Merger/Shared Services Study* and in support of an Application for funding to the Ohio Department of Development, Local Government Innovation Fund.

The *Merger/Shared Services Study* is designed to evaluate the opportunities for sharing services among the four municipalities and the feasibility and wisdom of merging the four municipalities. This effort would include generating a detailed understanding of the current service delivery models and investigating near-term coordinated or shared service opportunities.

### **3. THE PARTIES**

The collaborative partners of the *Merger/Shared Services Study* include: Cuyahoga County, by and through its Department of Regional Collaboration and the Cuyahoga County Planning Commission, the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere.

### **4. STATEMENT OF COMMITMENT**

The parties agree to the below listed roles, responsibilities, and tasks in order to fulfill the purpose of this MUAC.

#### **The Four Municipalities agree to:**

- A. Actively participate in the Study, including attending monthly and ad hoc meetings, to determine the opportunities for coordinated and shared services and the feasibility of merging the four municipalities;
- B. During the Study process, the Mayor of each municipality agrees to serve as the point of contact for his or her community and agrees to communicate with his or her citizens regarding the Study process in a manner that the Mayor deems appropriate;
- C. Work with the parties to this Agreement to ensure the reasonable availability of municipal staff and facilities; and
- D. Make a good faith effort to evaluate and consider implementation of the findings of the Study.

#### **Cuyahoga County agrees to:**

- A. Study the feasibility and wisdom of merging the four municipalities;
- B. Help identify opportunities for coordination of services and shared service delivery among the four municipalities;
- C. Provide project management, technical assistance, research, and facilitation of the Study;
- D. Assist with public engagement and education;
- E. Coordinate services to be provided by project managers and subject matter experts;
- F. Convene regular meetings and/or ad hoc meetings as necessary; and
- G. Identify practices and methodologies which make the Study process scalable and replicable for other communities in Cuyahoga County.

## **9. EFFECTIVE DATE AND TERM**

This MUAC shall be effective upon execution by the parties and shall be in force until December 31, 2014, unless terminated pursuant to Section 7 of this Agreement.

## **10. PUBLIC RECORDS**

All public records in connection with this Agreement are subject to Ohio Public Records Laws and may be made available for review and inspection to anyone making a request pursuant to the provisions of the Ohio Revised Code. In no event shall Cuyahoga County, the Cuyahoga County Department of Regional Collaboration, the Cuyahoga County Planning Commission, or any of their agents, representatives, consultants, officers, or employees be liable for disclosure of any work products or other documents provided in relationship to this Study or Agreement.

## **11. AUTHORITY**

The parties to this MUAC are authorized representatives and signatories of their respective political subdivisions of the State of Ohio to subscribe and affix their respective signatures to this MUAC.

## **12. SPECIAL ACKNOWLEDGMENTS**

The parties intend this MUAC to be binding with respect to its contents, however, it does not constitute a binding obligation beyond the commitments contained herein.

## **13. AGREEMENT COUNTERPARTS**

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts. Each counterpart when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

## **14. ELECTRONIC SIGNATURES**

By signing this Agreement, the parties agree to conduct this transaction by electronic means. Therefore, the parties agree that all documents requiring the parties signatures may be executed by electronic means, and that the electronic signatures affixed by the parties to said documents shall have the same legal effect as if the signature was manually affixed to a paper version of the document.

The parties also agree to be bound by the provisions of Chapters 304 and 1306 of the Ohio Revised Code as they pertain to Electronic Transactions, and to comply with the Electronic Signature Policy of Cuyahoga County.

**15. SIGNATORIES**

We, the collaborative partners on the *Merger/Shared Services Study*, agree to work together in accordance with this MUAC:

Eden Fitzpatrick 2/28/12  
Cuyahoga County, Executive Date

Susan Bender, Mayor 2/25/12  
Village of Moreland Hills, Mayor Date

Kathy U. Mulcahy 2-25-2012  
Orange Village, Mayor Date

Richard W. Quinn 2/25/2012  
City of Pepper Pike, Mayor Date

Charles E. Miller 2/25/2012  
Village of Woodmere, Mayor Date

## County Council of Cuyahoga County, Ohio

### Resolution No. R2012-0021

Sponsored by: **County Executive FitzGerald**

**A Resolution** supporting submission of applications on behalf of Cuyahoga County for first-round funding under the Local Government Innovation Fund available through the State of Ohio, Department of Development; authorizing the County Executive and Department Directors to take all steps necessary in furtherance of this goal, including entering into partnership initiatives/memoranda of understanding with any other potential partners; and declaring the necessity that this Resolution become immediately effective.

WHEREAS, Section 3.17 of the County's Contracting and Purchasing Procedures Ordinance, Ordinance No. O2011-0044, as amended, provides that the "County Executive may apply for and accept grants on behalf of the county without specific approval from the Contracts and Purchasing Board, the Board of Control, or the County Council," and Section 4.15 provides that "[t]his Ordinance is intended to fulfill any state, federal, or other requirement for a Resolution or Ordinance granting the County Executive the authority to apply for or accept grants on behalf of the County;" and,

WHEREAS, to further demonstrate the County's support and bolster the County's applications for funding from the Local Government Innovation Fund administered by the State of Ohio, the County Executive has requested specific support from the County Council through this Resolution, in addition to the general authority granted to the County Executive in the Contracting and Purchasing Procedures Ordinance, to submit applications by County departments and agencies, where Cuyahoga County is serving as the 'primary applicant' or as a 'collaborative partner' with political subdivisions for the first round of funding from the Local Government Innovation Fund available through the State of Ohio, Department of Development; and,

WHEREAS, in accordance with the application procedures for the Local Government Innovation Fund, the State of Ohio, Department of Development, requests a resolution of support from the applicant's and collaborative partner's governing entity; and,

WHEREAS, the Local Government Innovation Fund was established to provide financial assistance to Ohio political subdivisions for planning and implementing projects that are projected to create more efficient and effective service delivery within a specific discipline of government services for one or more entities; and,

WHEREAS, through the Local Government Innovation Fund, the State of Ohio, Department of Development seeks to promote efficiency, collaboration, merger, and shared services among local governments; and,

WHEREAS, the applications are to be submitted for first round of funding to the Local Government Innovation Fund where Cuyahoga County is the 'primary applicant' or as a 'collaborative partner' in order to facilitate efficiencies in various disciplines of government service including economic development, education, information technology, and regional collaboration; and,

WHEREAS, Cuyahoga County is working collaboratively on submitting applications with a number of municipal, non-profit, and private partners across the county and region; and,

WHEREAS, the applications for the first round of Local Government Innovation Fund awards are due on March 1, 2012 to the State of Ohio, Department of Development; and,

WHEREAS, it is necessary that this Resolution become immediately effective in order to meet the application deadlines mandated by the State of Ohio, Department of Development.

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY COUNCIL OF CUYAHOGA COUNTY, OHIO:**

**SECTION 1.** The County Council hereby supports the submission of applications by County departments and agencies as the 'primary applicant' and as a 'collaborative partner' with political subdivisions for the first round of funding from the Local Government Innovation Fund available through the State of Ohio, Department of Development.

**SECTION 2.** The County Executive and Department Directors are hereby authorized to take all steps necessary in furtherance of the County's applications to the Local Government Innovation Fund, including, but not limited to, entering into partnership initiatives/memoranda of understanding, with any other potential partners.

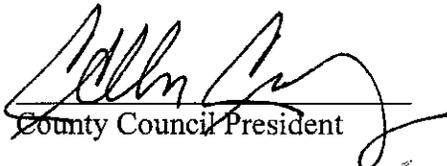
**SECTION 3.** It is necessary that this Resolution become immediately effective, in order that critical services provided by Cuyahoga County can continue, and to continue the usual and daily operation of the County. Provided that this Resolution receives the affirmative vote of eight members of Council, this Resolution shall become immediately effective upon the signature of the County Executive.

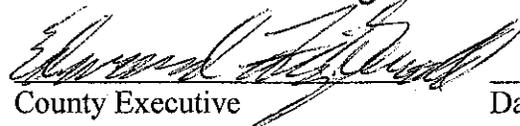
**SECTION 4.** It is found and determined that all formal actions of this Council relating to the adoption of this Resolution were adopted in an open meeting of the Council, and that all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

On a motion by Mr. Schron, seconded by Mr. Rogers, the foregoing Resolution was duly adopted.

Yeas: Schron, Conwell, Jones, Rogers, Simon, Greenspan, Miller, Brady, Germana, Gallagher and Connally

Nays: None

  
County Council President      2/29/2012  
Date

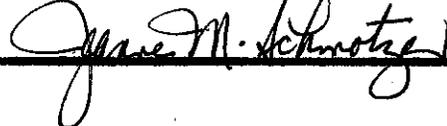
  
County Executive      2/29/12  
Date

  
Clerk of Council      2/28/2012  
Date

First Reading/Referred to Committee: February 14, 2012  
Committee(s) Assigned: Economic Development & Planning

Journal CC005  
February 28, 2012

**I, JEANNE M. SCHMOTZER, CLERK OF COUNCIL OF THE COUNCIL OF CUYAHOGA COUNTY, OHIO, DO HEREBY CERTIFY THAT THE FOREGOING IS A TRUE AND EXACT COPY OF THE ORIGINAL OF A RESOLUTION DULY ADOPTED OR AN ORDINANCE DULY ENACTED BY SAID COUNCIL ON THE 28<sup>th</sup> DAY OF February 2012.**

BY:   
\_\_\_\_\_

**RESOLUTION NO.: 2012-08**

**INTRODUCED BY: Mayor Renda**

**A RESOLUTION SUPPORTING THE LOCAL GOVERNMENT INNOVATION FUND APPLICATION SUBMITTED BY CUYAHOGA COUNTY FOR THE MERGER/SHARED SERVICES STUDY FOR THE VILLAGE OF MORELAND HILLS, ORANGE VILLAGE, THE CITY OF PEPPER PIKE, AND THE VILLAGE OF WOODMERE, AUTHORIZING THE MAYOR TO ENTER INTO A MEMORANDUM OF MUTUAL UNDERSTANDING AND COLLABORATION FOR THE MERGER/SHARED SERVICES STUDY, AND DECLARING AN EMERGENCY.**

**WHEREAS**, Ohio law establishes a process for the merger of communities; and

**WHEREAS**, such process requires a merger to be approved by a majority of the electorate of each merging community; and

**WHEREAS**, the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere have agreed to study the possibility of merging their communities and evaluating the opportunities for shared service efficiencies; and

**WHEREAS**, Cuyahoga County, through the Department of Regional Collaboration and the Cuyahoga County Planning Commission, is serving as a collaborative partner with the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere to facilitate the Merger/Shared Services Study process; and

**WHEREAS**, Cuyahoga County is seeking funding from the State of Ohio, Department of Development, Local Government Innovation Fund, on behalf of the Village of Moreland Hills, Orange Village, the City of Pepper Pike and the Village of Woodmere, to support the Merger/Shared Services study process, particularly as it pertains to process implementation; and

**WHEREAS**, the State of Ohio, Department of Development, Local Government Innovation Fund application process requires a resolution of support from the governing entity of each community and the governing entity of the collaborative partner; and

**WHEREAS**, the Local Government Innovation Fund was established to provide assistance to Ohio political subdivisions for planning and implementing projects that are projected to create more efficient and effective service delivery within a specific discipline of government services for one or more entities; and

**WHEREAS**, the Ohio Department of Development, through the Local Government Innovation Fund, seeks to promote efficiency, collaboration, merger, and shared services among local governments; and

**WHEREAS**, the Local Government Innovation Fund represents one of the key sources of funding necessary to study the merits of merging municipalities and evaluating the opportunities for shared service efficiencies; and

**WHEREAS**, a Memorandum of Mutual Understanding and Collaboration between Cuyahoga County and the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere was prepared to articulate the purpose of the Merger/Shared Services Study and the responsibilities of the participating parties; and

**WHEREAS**, the Village of Moreland Hills supports the Local Government Innovation Fund application submitted by Cuyahoga County and this Council desires to authorize the Mayor to enter into a Memorandum of Mutual Understanding and Collaboration.

**NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE VILLAGE OF MORELAND HILLS, COUNTY OF CUYAHOGA AND STATE OF OHIO, THAT:**

**Section 1.** This Council, provided that the Mayor of the Village of Moreland Hills reviews and approves the application prior to submittal, supports the Local Government Innovation Fund application submitted by Cuyahoga County for the Merger/Shared Services Study for the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere.

**Section 2.** The Mayor of the Village of Moreland Hills is hereby authorized to enter into a Memorandum of Mutual Understanding and Collaboration (“MUAC”) between Cuyahoga County and the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere. The MUAC shall be in a form substantially similar to the MUAC attached hereto and incorporated herein as Exhibit “A,” provided that the MUAC may be revised as deemed necessary by the Director of Law to protect the interests of the Village of Moreland Hills.

**Section 3:** The actions of this Council concerning and relating to the passage of this legislation were adopted in an open meeting of this Council and all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings held in compliance with all legal requirements.

**Section 4.** This Resolution is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, health, safety and welfare of the residents of the Village of Moreland Hills and for the further reason that this resolution must

be immediately effective in order to comply with the Local Government Innovation Fund application deadline of March 1, 2012.

**WHEREFORE**, this Resolution shall take effect and be in full force immediately upon its passage and approval by the Mayor.

Justin Bender  
Mayor

Passed: 2-13-12

Attest:

Julie Miller  
Clerk

**A RESOLUTION  
SUPPORTING THE LOCAL GOVERNMENT  
INNOVATION FUND APPLICATION SUBMITTED BY  
CUYAHOGA COUNTY FOR THE MERGER/SHARED  
SERVICES STUDY FOR THE VILLAGE OF MORELAND  
HILLS, ORANGE VILLAGE, THE CITY OF PEPPER  
PIKE AND THE VILLAGE OF WOODMERE,  
AUTHORIZING THE MAYOR TO ENTER INTO A  
MEMORANDUM OF MUTUAL UNDERSTANDING AND  
COLLABORATION FOR THE MERGER/SHARED  
SERVICES STUDY, AND DECLARING AN EMERGENCY.**

WHEREAS, Ohio law establishes a process for the merger of communities; and,

WHEREAS, such process requires a merger to be approved by a majority of the electorate of each merging community; and,

WHEREAS, the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere have agreed to study the possibility of merging their communities and evaluating the opportunities for shared service efficiencies; and,

WHEREAS, Cuyahoga County, through the Department of Regional Collaboration and the Cuyahoga County Planning Commission, is serving as a collaborative partner with the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere to facilitate the Merger/Shared Services Study process; and,

WHEREAS, Cuyahoga County is seeking funding from the State of Ohio, Department of Development, Local Government Innovation Fund, on behalf of the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere to support this Merger/Shared Services study process, particularly as it pertains to process implementation; and,

WHEREAS, the State of Ohio, Department of Development, Local Government Innovation Fund application process requires a resolution of support from the governing entity of each community and the governing entity of the collaborative partner; and,

WHEREAS, the Local Government Innovation Fund was established to provide financial assistance to Ohio political subdivisions for planning and implementing projects that are projected to create more efficient and effective service delivery within a specific discipline of government services for one or more entities; and,

WHEREAS, the Ohio Department of Development, through the Local Government Innovation Fund, seeks to promote efficiency, collaboration, merger, and shared services among local governments; and,

WHEREAS, the Local Government Innovation Fund represents one of the key sources of funding necessary to study the merits of merging municipalities and evaluating the opportunities for shared service efficiencies; and

WHEREAS, a Memorandum of Mutual Understanding and Collaboration between Cuyahoga County and the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere was prepared to articulate the purpose of the Merger/Shared Services Study and the responsibilities of the participating parties; and

WHEREAS, Orange Village supports the Local Government Innovation Fund Application submitted by Cuyahoga County and this Council desires to authorize the Mayor to enter into a Memorandum of Mutual Understanding and Collaboration.

**NOW, THEREFORE, BE IT RESOLVED BY ORANGE VILLAGE, CUYAHOGA COUNTY, STATE OF OHIO:**

SECTION 1. This Council supports the Local Government Innovation Fund application submitted by Cuyahoga County for the Merger/Shared Services Study for the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere.

SECTION 2. The Mayor of Orange Village is hereby authorized to enter into a Memorandum of Mutual Understanding and Collaboration ("MUAC") between Cuyahoga County and the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere. The MUAC shall be in a form substantially similar to the MUAC attached hereto and incorporated herein as Exhibit "A," provided that the MUAC may be revised as deemed necessary by the Director of Law to protect the interests of Orange Village.

SECTION 3. That it is found and determined that all formal actions of this Council concerning and relating to the passage of this Resolution were adopted in an open meeting of this Council and that all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements including Chapter 105 of the Codified Ordinances of Orange Village.

SECTION 4. That this resolution is hereby declared an emergency measure immediately necessary for the public peace, health, safety and welfare and for the further reason that this resolution must be immediately effective in order to comply with the Local Government Innovation Fund application deadline of March 1, 2012; wherefore, this resolution shall be in full force and effect upon its adoption and approval by the Mayor.

PASSED: February 8, 2012

Mark A. Parks  
Council President

Submitted to the Mayor for approval  
on this 8<sup>th</sup> day of Feb, 2012

Approved by the Mayor this  
8<sup>th</sup> day of February, 2012

ATTEST:

Mary Kampman  
Clerk of Council

Kathy U. Mulcahy  
Mayor

I, Mary Kampman, Clerk of Council of Orange Village certify that this is a true and accurate copy of Resolution 2012-2.

Mary Kampman

**RESOLUTION NO. 2012-08**  
**INTRODUCED BY: MR. TAFT**

**A RESOLUTION  
SUPPORTING THE LOCAL GOVERNMENT  
INNOVATION FUND APPLICATION SUBMITTED BY  
CUYAHOGA COUNTY FOR THE MERGER/SHARED  
SERVICES STUDY FOR THE VILLAGE OF MORELAND  
HILLS, ORANGE VILLAGE, THE CITY OF PEPPER PIKE  
AND THE VILLAGE OF WOODMERE, AUTHORIZING  
THE MAYOR TO ENTER INTO A MEMORANDUM OF  
MUTUAL UNDERSTANDING AND COLLABORATION  
FOR THE MERGER/SHARED SERVICES STUDY, AND  
DECLARING AN EMERGENCY.**

WHEREAS, Ohio law establishes a process for the merger of communities; and,

WHEREAS, such process requires a merger to be approved by a majority of the electorate of each merging community; and,

WHEREAS, the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere have agreed to study the possibility of merging their communities and evaluating the opportunities for shared service efficiencies; and,

WHEREAS, Cuyahoga County, through the Department of Regional Collaboration and the Cuyahoga County Planning Commission, is serving as a collaborative partner with the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere to facilitate the Merger/Shared Services Study process; and,

WHEREAS, Cuyahoga County is seeking funding from the State of Ohio, Department of Development, Local Government Innovation Fund, on behalf of the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere to support this Merger/Shared Services study process, particularly as it pertains to process implementation; and,

WHEREAS, the State of Ohio, Department of Development, Local Government Innovation Fund application process requires a resolution of support from the governing entity of each community and the governing entity of the collaborative partner; and,

WHEREAS, the Local Government Innovation Fund was established to provide financial assistance to Ohio political subdivisions for planning and implementing projects that are projected to create more efficient and effective service delivery within a specific discipline of government services for one or more entities; and,

WHEREAS, the Ohio Department of Development, through the Local Government Innovation Fund, seeks to promote efficiency, collaboration, merger, and shared services among local governments; and,

WHEREAS, the Local Government Innovation Fund represents one of the key sources of funding necessary to study the merits of merging municipalities and evaluating the opportunities for shared service efficiencies; and

WHEREAS, a Memorandum of Mutual Understanding and Collaboration between Cuyahoga County and the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere was prepared to articulate the purpose of the Merger/Shared Services Study and the responsibilities of the participating parties; and

WHEREAS, the City of Pepper Pike supports the Local Government Innovation Fund Application submitted by Cuyahoga County and this Council desires to authorize the Mayor to enter into a Memorandum of Mutual Understanding and Collaboration.

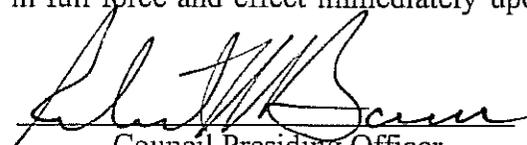
**NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PEPPER PIKE, COUNTY OF CUYAHOGA, STATE OF OHIO:**

SECTION 1. This Council supports the Local Government Innovation Fund application submitted by Cuyahoga County for the Merger/Shared Services Study for the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere.

SECTION 2. The Mayor of Pepper Pike is hereby authorized to enter into a Memorandum of Mutual Understanding and Collaboration ("MUAC") between Cuyahoga County and the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere. The MUAC shall be in a form substantially similar to the MUAC attached hereto and incorporated herein as Exhibit "A," provided that the MUAC may be revised as deemed necessary by the Director of Law to protect the interests of the City of Pepper Pike.

SECTION 3. That this Resolution constitutes an emergency measure in that the same provides for the immediate preservation of the public peace, health, safety and welfare of the inhabitants of the City of Pepper Pike and, further that this resolution must be immediately effective in order to comply with the Local Government Innovation Fund application deadline of March 1, 2012; wherefore, this ordinance shall be in full force and effect immediately upon its passage by Council and its approval by the Mayor.

PASSED: February 15, 2012

  
Council Presiding Officer

Submitted to the Mayor for approval on this 15 day of February, 2012

Approved by the Mayor this 15 day of February, 2012

ATTEST:

  
Clerk of Council

  
Mayor

**Tab 5: Supporting Documentation**

**DRAFT UNDER CONSIDERATION BY THE VILLAGE OF WOODMERE**

RESOLUTION NO.:

SPONSORED BY:

AN EMERGENCY RESOLUTION SUPPORTING THE MERGER/SHARED SERVICES STUDY FOR MORELAND HILLS, ORANGE, PEPPER PIKE AND WOODMERE LOCAL GOVERNMENT INNOVATION FUND GRANT APPLICATIONS SUBMITTED BY CUYAHOGA COUNTY

WHEREAS, the Village of Moreland Hills, Orange Village, the City of Pepper Pike, and the Village of Woodmere are committed to studying the merits of merging municipalities and evaluating the opportunities for shared service efficiencies; and,

WHEREAS, Cuyahoga County, through the Department of Regional Collaboration and the Cuyahoga County Planning Commission, would like to serve as collaborative partners with Moreland Hills, Orange, Pepper Pike, and Woodmere to facilitate the Merger/Shared Services Study process; and,

WHEREAS, Cuyahoga County would like to seek funding from the State of Ohio, Department of Development, Local Government Innovation Fund on behalf of the Moreland Hills, Orange, Pepper Pike, and Woodmere to support this Merger/Shared Services study process, particularly as it pertains to process implementation; and,

WHEREAS, in accordance with the application procedures for the Local Government Innovation Fund, the State of Ohio, Department of Development, requests a resolution of support from the applicant's and collaborative partner's governing entity; and,

WHEREAS, the Local Government Innovation Fund was established to provide financial assistance to Ohio political subdivisions for planning and implementing projects that are projected to create more efficient and effective service delivery within a specific discipline of government services for one or more entities; and,

WHEREAS, through the Local Government Innovation Fund, the Ohio Department of Development seeks to promote efficiency, collaboration, merger, and shared services among local governments; and,

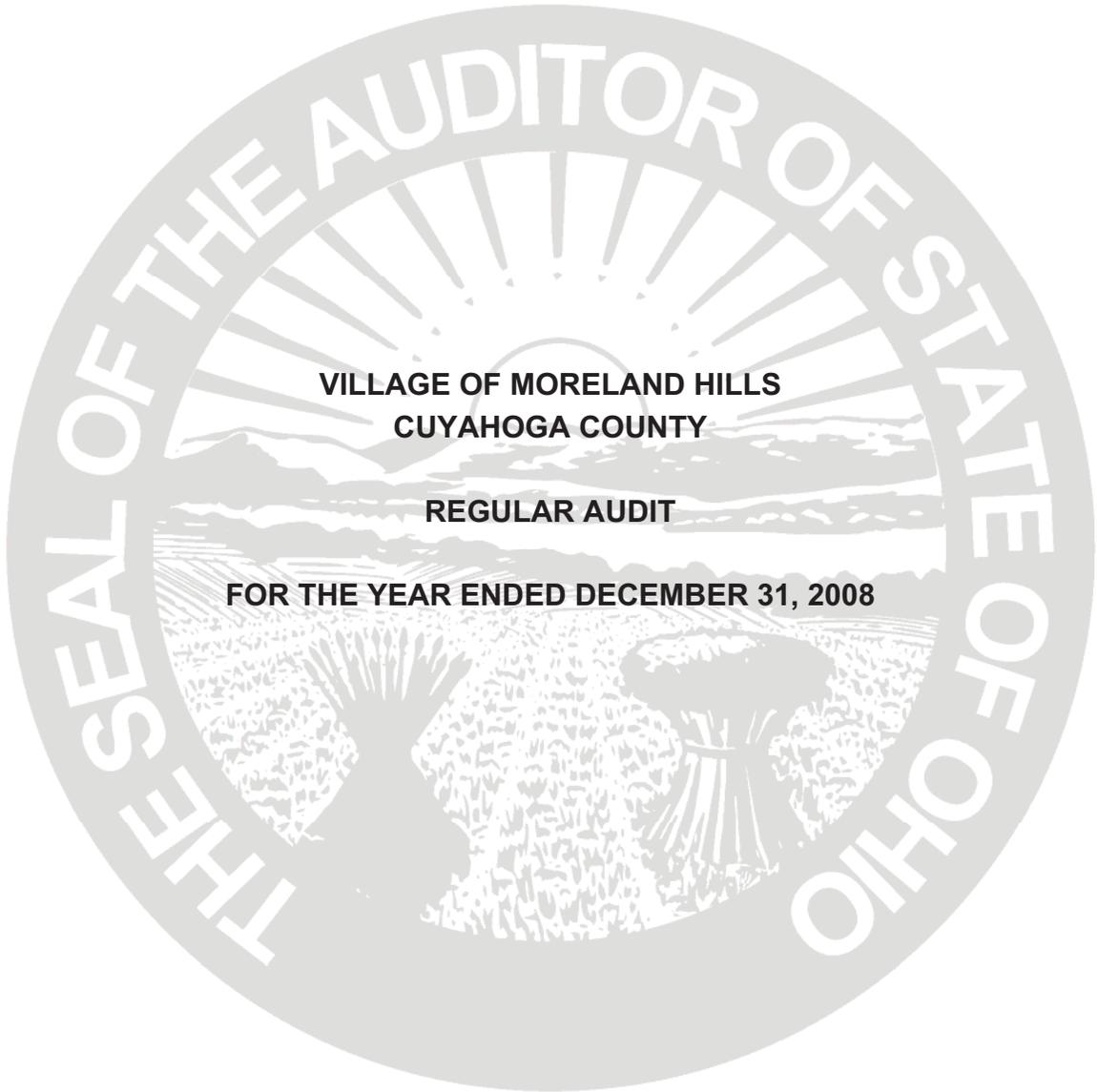
WHEREAS, the Local Government Innovation Fund grant funding represents one of the key sources of funding necessary to study the merits of merging it municipalities and evaluate the opportunities for shared service efficiencies; and,

WHEREAS, THEREFORE BE IT RESOLVED, that the Council of \_\_\_\_\_ , Cuyahoga County, State of Ohio, that:

**Tab 5: Supporting Documentation**

SECTION 1. \_\_\_\_\_ supports the Merger/Shared Services Study for Moreland Hills, Orange, Pepper Pike, and Woodmere Local Government Innovation Fund application to obtain the resources necessary to study the merits of merging its municipalities and evaluate the opportunities for shared service efficiencies,

SECTION 2. The Council declares this Resolution to be an emergency measure necessary for ....



**Mary Taylor, CPA**  
Auditor of State



**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Police and Fire Levy Fund	15
Statement of Fiduciary Net Assets – Cash Basis	16
Notes to the Basic Financial Statements	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .	33

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, and Police and Fire Levy funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

July 17, 2009

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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This discussion and analysis of the financial performance of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) provides an overall review of the Village's financial activities for the year ended December 31, 2008, 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 2008 are as follows:

Net assets of governmental activities increased by \$1.4 million or 14 percent, over 2007. This was a combination of an increase in fund balances of approximately \$2.4 million in the General Fund, Property Improvement Fund, and Waste Water Treatment Plant Expansion Fund which was offset by a reduction of \$1.0 million in the Police and Fire Levy Fund and Other Governmental Funds.

The Village's general receipts are primarily income and property taxes. These receipts represent respectively 43% and 24% of the total cash received for governmental activities during the year. Income Tax receipts increased by 7% over 2007 due to the state of the general economy, however, Property Tax receipts increased approximately 2% due to an increase in assessed valuation based on the County Auditor's revaluation.

During the year the Village's bond rating remained at Aa2 and was upgraded from Aa3 by Moody's Investors Service during 2004 due to its extremely wealthy and stable residential base and healthy financial operations.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

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

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

**Reporting the Government's Most Significant Funds**

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

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

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2008  
 Unaudited

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

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis.

	Activities 2008	Activities 2007
<b>Assets</b>		
Cash and Cash Equivalents	\$11,989,136	\$10,550,617
Total Assets	\$11,989,136	\$10,550,617
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	4,174,553	3,963,913
Debt Service	239,693	264,251
Other Purposes	1,674,162	2,697,558
Unrestricted	5,900,728	3,624,895
Total Net Assets	\$11,989,136	\$10,550,617

As mentioned previously, net assets of governmental activities increased by \$1.4 million or 14 percent during 2008. This was primarily due to an increase of \$2.4 million in the General Fund balance due to moving the entire operations of the Police Department and Fire and EMS Services to the Police and Fire Levy Fund from the General Fund. This was offset by a reduction of \$1.0 million in the Police and Fire Levy Fund. The Waste Water Treatment Plant Expansion Fund and Property Improvement Fund increased by approximately \$0.3 million.

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

Table 2 reflects the changes in net assets during 2008 and also provides a comparative analysis of government-wide data.

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

	Governmental Activities 2008	Governmental Activities 2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$199,789	\$179,716
Operating Grants and Special Assessments	322,826	310,599
Capital Grants and Special Assessments	244,126	2,052,171
Total Program Receipts	<u>766,741</u>	<u>2,542,486</u>
General Receipts:		
Property Taxes	1,699,124	1,669,898
Income Taxes	3,020,054	2,822,355
Grants and Entitlements Not Restricted to Specific Programs	1,137,487	536,333
Interest	310,452	473,590
Miscellaneous	152,586	255,848
Total General Receipts	<u>6,319,703</u>	<u>5,758,024</u>
Total Receipts	<u>7,086,444</u>	<u>8,300,510</u>
Disbursements:		
General Government	1,471,821	1,162,111
Security of Persons and Property:	1,717,128	1,658,236
Public Health Services	19,680	18,882
Community Environment	52,109	72,774
Basic Utility Services	1,376,964	1,326,116
Transportation	620,880	622,738
Capital Outlay	167,684	2,439,217
Principal Retirement	161,475	110,000
Interest and Fiscal Charges	60,184	102,600
Total Disbursements	<u>5,647,925</u>	<u>7,512,674</u>
Increase in Net Assets	1,438,519	787,836
Net Assets, January 1	<u>10,550,617</u>	<u>9,762,781</u>
Net Assets, December 31	<u>\$11,989,136</u>	<u>\$10,550,617</u>

Program receipts represented 11 percent of total receipts during 2008 and compared to 31 percent in 2007 primarily due to a \$1.2 million grant award by the Ohio Department of Natural Resources during 2007 for the purchase of 23 acres of land for the conservation of green space in the Village. Program receipts are primarily comprised of charges for services and special assessments against properties for maintenance and expansion of infrastructure and revenues from restricted intergovernmental receipts such as motor vehicle license and gas tax money and grants.

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2008  
 Unaudited

General receipts represent 89 percent of the Village's total receipts during 2008 compared to 69.0 percent during 2007, and of this amount, over 48 percent are local municipal income taxes and 27 percent property taxes and the balance is comprised of state grants and entitlements. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, auditor, treasurer, and income tax collections, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of Persons and Property are the costs of police and fire protection; Public Health Services are county health department fees; Community Environment Activities are the costs of maintaining the Village community activities; and Transportation is the cost of maintaining the roads and sewers.

**Governmental Activities**

The Statement of Activities on page 10 lists the major services provided by the Village in the first column. The next column identifies the costs of providing these services. The largest program disbursements for governmental activities are for security of persons and property, which account for 35 percent of all governmental expenses during 2008. General government and basic utility services also represent significant disbursements, accounting for 30 and 28 percent of total expenses. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compare the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2008	Net Cost of Services 2008	Total Cost Of Services 2007	Net Cost of Services 2007
General Government	\$1,471,821	(\$1,379,203)	\$1,162,111	(\$1,095,345)
Security of Persons and Property	1,717,128	(1,667,632)	1,658,236	(1,610,947)
Public Health Services	19,680	8,025	18,882	10,623
Community Environment	52,109	(52,109)	72,774	(72,774)
Basic Utility Services	1,376,964	(1,133,448)	1,326,116	(1,075,427)
Transportation	620,880	(601,168)	622,738	(605,869)
Capital Outlay	167,684	76,442	2,439,217	(387,046)
Redemption of Principal	161,475	(71,907)	110,000	(30,803)
Interest and Fiscal Charges	60,184	(60,184)	102,600	(102,600)
<b>Total Expenses</b>	<b>\$5,647,925</b>	<b>(\$4,881,184)</b>	<b>\$7,512,674</b>	<b>(\$4,970,188)</b>

The dependence upon property and income tax receipts is apparent as over 96 percent of governmental activities are supported through these general receipts.

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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**The Government's Funds**

Total governmental funds had receipts of \$7,086,444 and disbursements of \$5,647,925. The largest positive change within governmental funds occurred in the General Fund which increased by \$2,106,869, primarily due to moving the costs of operations of the safety forces including the contracts for the provision of Fire and EMS from the General Fund to the Police and Fire Levy Fund. The Village has started setting aside funds for future capital improvements to the municipal Service Garage. The other increases were in the Waste Water Treatment Plant and Property Improvement Fund which together totaled \$285,637. The Police and Fire Levy Fund decreased by \$914,512 due to the reason mentioned above.

**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 2008, the Village amended its General Fund budget several times to reflect changing circumstances. There was no change between final actual and original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$1,080,426. Final disbursements were budgeted at \$3,894,442 while actual disbursements were \$3,157,897, which includes year end encumbrances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Outstanding Debt**

At December 31, 2008, the Village's outstanding debt was \$1,166,244 comprising of Various Purpose and Street improvement bonds along with an Ohio Public Works Commission Loan. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

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

**Contacting the Government's Financial Management**

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

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2008*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,989,136
<i>Total Assets</i>	\$11,989,136
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$4,174,553
Debt Service	239,693
Other Purposes	1,674,162
Unrestricted	5,900,728
<i>Total Net Assets</i>	\$11,989,136

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Activities - Cash Basis*  
*December 31, 2008*

	Program Cash Receipts			Net (Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Special Assessments	Receipts and Changes in Net Assets	
			Capital Grants and Special Assessments	Governmental Activities	
<b>Governmental Activities</b>					
General Government	\$1,471,821	\$92,618	\$0	(\$1,379,203)	
Security of Persons and Property	1,717,128	49,321	175	(1,667,632)	
Public Health Services	19,680	27,705	0	8,025	
Community Environment	52,109	0	0	(52,109)	
Basic Utility Services	1,376,964	10,433	233,083	(1,133,448)	
Transportation	620,880	19,712	0	(601,168)	
Capital Outlay	167,684	0	0	76,442	
Redemption of Principal	161,475	0	89,568	(71,907)	
Interest and Fiscal Charges	60,184	0	0	(60,184)	
<i>Total Governmental Activities</i>	<u>\$5,647,925</u>	<u>\$199,789</u>	<u>\$322,826</u>	<u>\$244,126</u>	<u>(4,881,184)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes		1,610,866	
		Debt Service		88,258	
		Municipal Income Taxes		3,020,054	
		Grants and Entitlements			
		Not Restricted to Specific Programs		1,137,487	
		Interest		310,452	
		Miscellaneous		152,586	
		<i>Total General Receipts</i>		6,319,703	
		Change in Net Assets		1,438,519	
		<i>Net Assets Beginning of Year</i>		10,550,617	
		<i>Net Assets End of Year</i>		\$11,989,136	

See accompanying notes to the basic financial statements

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**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**  
*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2008*

	<u>General</u>	<u>Property Improvement</u>	<u>Waste Water Treatment Plant Expansion</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,972,609	\$1,476,287	\$2,291,477
<i>Total Assets</i>	<u>\$5,972,609</u>	<u>\$1,476,287</u>	<u>\$2,291,477</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$71,881	\$0	\$12,630
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	5,900,728	0	0
Special Revenue Funds	0	0	0
Debt Service Fund	0	0	0
Capital Projects Funds	0	1,476,287	2,278,847
<i>Total Fund Balances</i>	<u>\$5,972,609</u>	<u>\$1,476,287</u>	<u>\$2,291,477</u>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

<u>Police and Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$549,802</u>	<u>\$1,698,961</u>	<u>\$11,989,136</u>
<u>\$549,802</u>	<u>\$1,698,961</u>	<u>\$11,989,136</u>
\$6,881	\$256,410	\$347,802
0	0	5,900,728
542,921	783,439	1,326,360
0	239,693	239,693
0	419,419	4,174,553
<u>\$549,802</u>	<u>\$1,698,961</u>	<u>\$11,989,136</u>

Tab 5: Supporting Documentation

VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
December 31, 2008

	General	Property Improvement	Waste Water Treatment Plant Expansion	Police and Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$3,020,054	\$0	\$0	\$0	\$0	\$3,020,054
Property and Other Local Taxes	882,708	0	0	661,414	155,002	1,699,124
Special Assessments	0	0	244,126	0	322,651	566,777
Charges for Services	2,530	0	0	0	38,138	40,668
Fines, Licenses and Permits	139,124	0	0	0	19,997	159,121
Intergovernmental	757,508	68,375	0	92,157	219,622	1,137,662
Interest	241,171	0	57,547	0	11,734	310,452
Miscellaneous	149,787	0	0	0	2,799	152,586
<b>Total Receipts</b>	<b>5,192,882</b>	<b>68,375</b>	<b>301,673</b>	<b>753,571</b>	<b>769,943</b>	<b>7,086,444</b>
<b>Disbursements</b>						
Current:						
General Government	1,471,821	0	0	0	0	1,471,821
Security of Persons and Property	7,930	0	0	1,510,647	198,551	1,717,128
Public Health Services	16,954	0	0	0	2,726	19,680
Community Environment	50,844	0	0	0	1,265	52,109
Basic Utility Services	1,093,398	0	0	0	283,566	1,376,964
Transportation	152,938	0	0	0	467,942	620,880
Capital Outlay	0	4,700	79,711	62,436	20,837	167,684
Debt Service:						
Principal Retirement	0	0	0	0	161,475	161,475
Interest and Fiscal Charges	0	0	0	0	60,184	60,184
<b>Total Disbursements</b>	<b>2,793,885</b>	<b>4,700</b>	<b>79,711</b>	<b>1,573,083</b>	<b>1,196,546</b>	<b>5,647,925</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>2,398,997</b>	<b>63,675</b>	<b>221,962</b>	<b>(819,512)</b>	<b>(426,603)</b>	<b>1,438,519</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	0	0	0	294,000	294,000
Transfers Out	(199,000)	0	0	(95,000)	0	(294,000)
Advances In	0	0	0	0	93,128	93,128
Advances Out	(93,128)	0	0	0	0	(93,128)
<b>Total Other Financing Sources (Uses)</b>	<b>(292,128)</b>	<b>0</b>	<b>0</b>	<b>(95,000)</b>	<b>387,128</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>2,106,869</b>	<b>63,675</b>	<b>221,962</b>	<b>(914,512)</b>	<b>(39,475)</b>	<b>1,438,519</b>
<b>Fund Balances Beginning of Year</b>	<b>3,865,740</b>	<b>1,412,612</b>	<b>2,069,515</b>	<b>1,464,314</b>	<b>1,738,436</b>	<b>10,550,617</b>
<b>Fund Balances End of Year</b>	<b>\$5,972,609</b>	<b>\$1,476,287</b>	<b>\$2,291,477</b>	<b>\$549,802</b>	<b>\$1,698,961</b>	<b>\$11,989,136</b>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*December 31, 2008*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$2,391,704	\$2,391,704	\$3,020,054	\$628,350
Property and Other Local Taxes	699,053	699,053	882,708	183,655
Charges for Services	2,004	2,004	2,530	526
Fines, Licenses and Permits	110,178	110,178	139,124	28,946
Intergovernmental	599,902	599,902	757,508	157,606
Interest	190,993	190,993	241,171	50,178
Miscellaneous	118,622	118,622	149,787	31,165
<i>Total receipts</i>	<u>4,112,456</u>	<u>4,112,456</u>	<u>5,192,882</u>	<u>1,080,426</u>
<b>Disbursements</b>				
Current:				
General Government	1,300,884	1,552,541	1,482,802	69,739
Security of Persons and Property	0	7,690	7,930	(240)
Public Health Services	17,000	17,000	16,954	46
Community Environment	52,700	53,700	50,844	2,856
Basic Utility Services	1,136,418	1,190,674	1,114,732	75,942
Transportation	95,000	205,237	192,507	12,730
Capital Outlay	0	0	0	0
<i>Total Disbursements</i>	<u>2,602,002</u>	<u>3,026,842</u>	<u>2,865,769</u>	<u>161,073</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,510,454</u>	<u>1,085,614</u>	<u>2,327,113</u>	<u>1,241,499</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(650,000)	(455,000)	(199,000)	256,000
Advances In	0	0	0	0
Advances Out	(912,600)	(412,600)	(93,128)	319,472
<i>Total Other Financing Sources (Uses)</i>	<u>(1,562,600)</u>	<u>(867,600)</u>	<u>(292,128)</u>	<u>575,472</u>
<i>Net Change in Fund Balance</i>	(52,146)	218,014	2,034,985	1,816,971
<i>Fund Balance Beginning of Year</i>	3,624,898	3,624,898	3,624,898	0
Prior Year Encumbrances Appropriated	240,845	240,845	240,845	0
<i>Fund Balance End of Year</i>	<u>\$3,813,597</u>	<u>\$4,083,757</u>	<u>\$5,900,728</u>	<u>\$1,816,971</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Police and Fire Levy Fund  
December 31, 2008*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$726,084	\$726,084	\$661,414	(\$64,670)
Intergovernmental	175,000	175,000	92,157	(82,843)
<i>Total receipts</i>	<u>901,084</u>	<u>901,084</u>	<u>753,571</u>	<u>(147,513)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	1,622,828	1,669,852	1,579,964	89,888
<i>Total Disbursements</i>	<u>1,622,828</u>	<u>1,669,852</u>	<u>1,579,964</u>	<u>89,888</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(721,744)</u>	<u>(768,768)</u>	<u>(826,393)</u>	<u>(57,625)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(90,000)	(95,000)	(95,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(90,000)</u>	<u>(95,000)</u>	<u>(95,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(811,744)	(863,768)	(921,393)	(57,625)
<i>Fund Balance Beginning of Year</i>	1,406,444	1,406,444	1,406,444	0
Prior Year Encumbrances Appropriated	57,870	57,870	57,870	0
<i>Fund Balance End of Year</i>	<u>\$652,570</u>	<u>\$600,546</u>	<u>\$542,921</u>	<u>(\$57,625)</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2008*

	Agency
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$146,769
<i>Total Assets</i>	\$146,769
 <b>Net Assets</b>	
Unrestricted	\$146,769

See accompanying notes to the basic financial statements

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

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**Note 1 – Reporting Entity**

The Village of Moreland Hills, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term.

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

**A. Primary Government**

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

**B. Component Units**

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

**C. Jointly Governed Organizations**

The Village participates in two jointly governed organizations. Note 13 to the financial statements provide additional information for these entities.

These organizations are:

Jointly Governed Organizations:

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

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)**B. Fund Accounting**

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

**Governmental Funds**

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

**Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

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

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

During 2008, the Village invested in Federal Government Agencies, an overnight sweep account, and STAR Ohio. All Village investments are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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

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 2008 was \$241,171. Interest was also allocated to the Waste Water Treatment Plant Expansion Fund, the Motor Vehicle License Fund, and the Sewage Treatment Plant Fund in the amounts of \$57,547, \$6,400, and \$5,334 respectively during 2008.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

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

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

**L. Long-Term Obligations**

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)M. Net Assets

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

N. Fund Balance Reserves

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

O. Interfund Transactions

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

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and the major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$71,881 for the General Fund and \$6,881 for the Police and Fire Levy major special revenue fund. The outstanding advances at year end amounted to \$93,128 for the General Fund.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**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  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$170,217 of the Village's bank balance of \$420,217 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

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

Investments

As of December 31, 2008, the Village had the following investments:

Investment Type	Carrying Value	Maturity
FHLB Notes	\$ 2,500,000	24 Months
Repurchase Agreements – Overnight		
Sweep Account	3,056,000	1 day
STAR Ohio	6,249,355	30 days
Total Portfolio	\$11,805,355	

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

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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

*Concentration of Risk:* The Village places no limit on the amount that may be invested in any one issuer. The Village investments in FHLB, Star Ohio and Repurchase Agreements represent 21%, 26% and 53% respectively.

**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 property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

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

The effective tax rate for all Village operations for the year ended December 31, 2008, was \$66.77 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$243,947,540
Tangible Personal Property	339,350
Public Utility Property	1,505,610
Commercial Property	5,429,980
Total Assessed Values	\$251,222,480

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 7 – Interfund Receivables/Payables**

Interfund balances at December 31, 2008, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Other Governmental Funds -

Save Our Schools Project Fund	\$22,128
Chagrin Blvd Slope Stabilization Project Fund	55,000
JQW WWTP Aband & Improv Fund	<u>16,000</u>
 Total General Fund	 <u><u>\$93,128</u></u>

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

**Note 8 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the Village contracted for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Selective Insurance Company	Commercial Property	\$3,501,535
	General Liability	2,000,000
	Commercial Umbrella	4,000,000
	Vehicle	1,000,000
	Employee Benefits	2,000,000
	Public Officials	1,000,000
	Police Professional	1,000,000

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

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 9 – Defined Benefit Pension Plans****A. Ohio Public Employees Retirement System**

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll. The Village's contribution rate for 2008 was 14 percent. For 2008, a portion of the Village's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$82,422, \$90,800, and \$88,832 respectively. The full amount has been contributed for 2008, 2007 and 2006. The Village made no contributions to the member-directed plan for 2008.

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2008, a portion of the Village's contribution equal to 7.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2008, 2007, and 2006 were \$100,363, \$104,535, and \$89,231. The full amount has been contributed for 2008, 2007 and 2006.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 10 - Postemployment Benefits**

*Ohio Public Employees Retirement System:* OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEN 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 provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employer units contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The City's actual contributions for 2008 which were used to fund post-employment benefits were \$82,422. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected.

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

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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

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

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at the rate expressed as percentages of the payroll of active pension plan members, currently 19.50% of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of the covered payroll for police employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The portion of the Village's contributions that was used to pay post-employment benefits for 2008, 2007 and 2006 was \$66,197, \$55,342, \$61,934, for police respectively.

*Social Security:* Council members have elected to contribute to Social Security. The contribution rate for 2008 was 6.2%.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

**Note 11 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1998 Issue (Original Amount \$1,425,000)	4.55 and 5.125%	\$975,000	\$0	\$100,000	\$875,000	\$70,000
2007 OPWC Loan (Original Amount \$252,179)	1%	252,719	0	11,474	241,244	11,589
1989 Street Improvement Bonds (Original Amount \$583,000)	6% to 7.50%	100,000	0	50,000	50,000	50,000
<b>Total Governmental Activities</b>		<u>\$1,327,719</u>	<u>\$0</u>	<u>\$161,474</u>	<u>\$1,166,244</u>	<u>\$131,589</u>

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

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

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

Year	G.O. Bonds		OPWC Loan		Street Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$70,000	\$44,844	\$11,589	\$2,383	\$50,000	\$3,625
2010	75,000	41,256	11,705	2,267		
2011	75,000	37,412	11,823	2,150		
2012	80,000	33,570	11,924	2,031		
2013	85,000	29,470	12,062	1,912		
2014–2018	490,000	77,132	62,143	7,721		
2019–2023			65,324	4,544		
2024–2027			54,674	1,237		
<b>Totals</b>	<u>\$875,000</u>	<u>\$263,684</u>	<u>\$241,244</u>	<u>\$24,245</u>	<u>\$50,000</u>	<u>\$3,625</u>

Village of Moreland Hills  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2008  
 (Continued)

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**Note 11 – Debt** (Continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall debt margin of \$26,378,360 and an unvoted debt margin of \$13,189,180.

**Note 12 – Interfund Transfers**

During 2008, the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$199,000
Transfers from the Police and Fire Levy Fund to:	
Police Pension fund	95,000
Total Transfers	\$294,000

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. The transfer from the Police and Fire Levy Fund to the Police Pension Fund was for police pension payments.

**Note 13– Jointly Governed Organizations**

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2008. Financial information can be obtained by contacting NOPEC, 583 East Aurora Road, Macedonia, Ohio 44056.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 13 – Jointly Governed Organizations** (Continued)

**Valley Enforcement Regional Council of Governments**

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2008, the Village paid \$4,100 to VERCOG.

**Note 14 – 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 2008, the Village paid \$239,552 to the Chagrin Valley Engineering, Ltd.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted certain matters that we reported to the Village's management in a separate letter dated July 17, 2009.

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 Internal Control Over Financial Reporting  
and on Compliance and Other Matters Required by Government Auditing Standards

Page 2

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

July 17, 2009



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MORELAND HILLS**

**CUYAHOGA COUNTY**

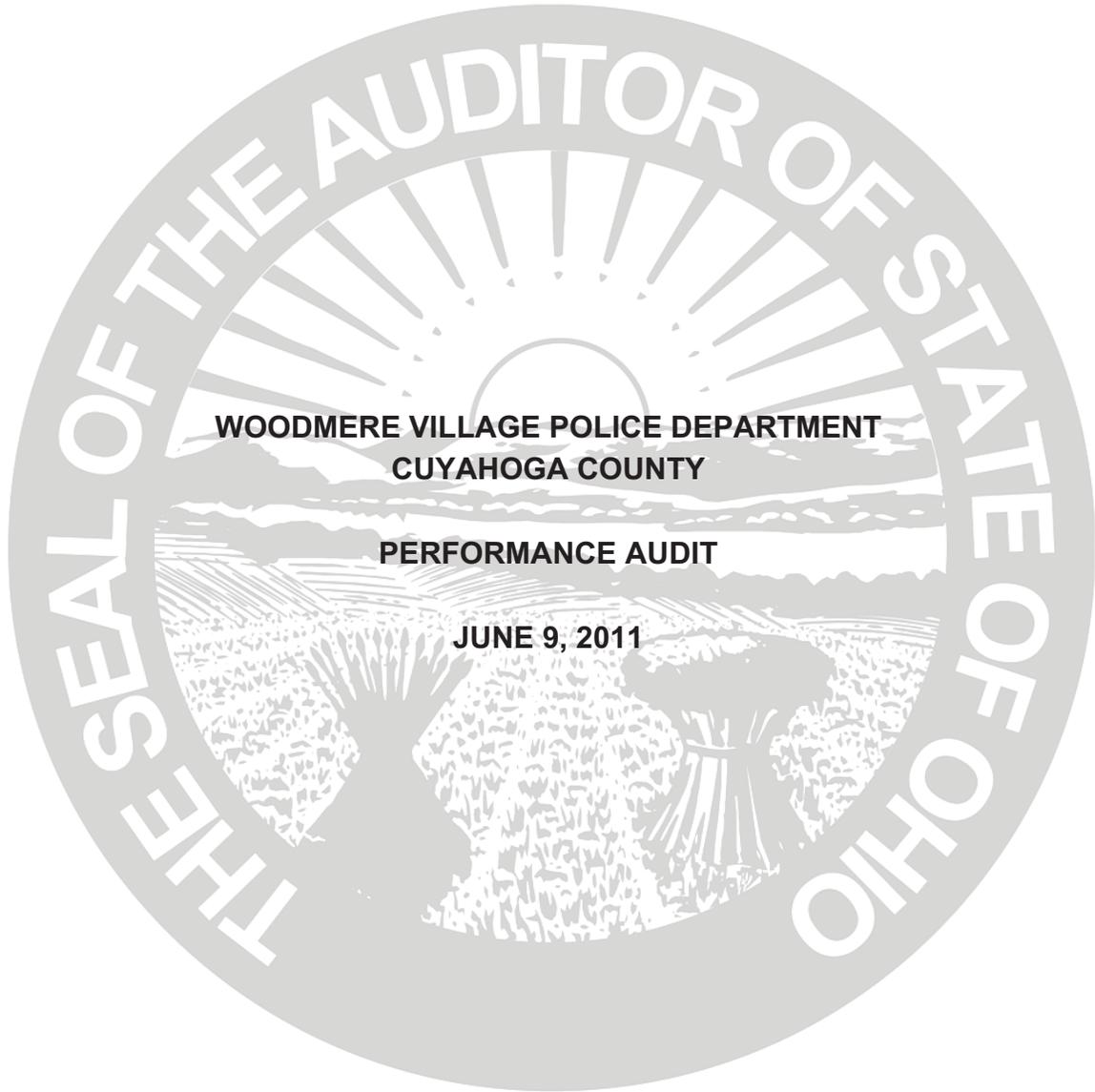
**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 1, 2009**



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

To the Residents, Mayor, and Council members of Woodmere Village:

In November 2010, Woodmere Village (Woodmere or the Village) engaged the Auditor of State's Office (AOS) to conduct a performance audit of staffing levels in the Police Department for the purpose of ensuring efficiency and effectiveness. The performance audit was designed to review and analyze staffing levels in relation to peer villages, industry benchmarks, and leading or recommended practices.

The performance audit contains recommendations which identify the potential for cost savings and operational improvements. While the recommendations contained in the audit report are resources intended to assist in improving efficiency and effectiveness, the Village is encouraged to continue to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes background information; the methodology, scope and objective of the performance audit; and a summary of the recommendations, issues for further study and financial implications. This report has been provided to the Village and its contents discussed with the Council members, Mayor and Police Chief. The Village has been encouraged to use the results of the performance audit as a resource for further improving overall operations and reducing costs.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 9, 2011

# Table of Contents

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Executive Summary .....	1
Recommendations.....	6

# Executive Summary

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## Background

In November 2010, Woodmere Village (Woodmere or the Village) engaged the Auditor of State's Office (AOS) to conduct a performance audit of staffing levels in the Police Department. The request for a performance audit was based on the Mayor's desire to ensure efficient and effective staffing levels. The performance audit was designed to review and analyze staffing levels in relation to peer villages, industry benchmarks, and leading or recommended practices.

### *Police Department Overview*

Woodmere Village is located in Cuyahoga County and according to the U.S. Census Bureau, its population was estimated at 750 in 2009. The Village encompasses 0.33 square miles.

The Woodmere Police Department's (WPD) stated vision is to "...preserve liberty, enhance the safety of our community and defend human dignity. We will be an organization in which each officer embraces integrity as the foundation in which our community trust is built. Our communication with the public will be direct, open, and respectful. We will value our differences, recognizing that there is strength in both. Our goal is excellence and we will accept nothing less." During 2010, WPD employed a full-time Police Chief and Lieutenant, three full-time sergeants, ten full-time patrol officers, and 13 part-time patrol officers. The hours worked by part-time patrol officers equaled 2.6 full-time equivalents (FTEs). All full-time sworn officers, excluding the Police Chief, are members the Fraternal Order of Police/Ohio Labor Council (FOP) collective bargaining unit. In addition, WPD employs a part-time clerk (0.3 FTE) that provides clerical and support services. WPD does not operate a jail or dispatch function. Instead, individuals arrested by WPD are transported to the City of Solon's jail. The Village of Chagrin Falls provides dispatching services.

## Audit Methodology, Scope and Objective

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analyses so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

AOS conducted the performance audit of Woodmere Village in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

The scope of the performance audit was to review and analyze staffing levels in the Police Department, with an overall objective of assisting the Village in identifying strategies to improve efficiency and effectiveness. The following audit objective was used to guide the performance audit of WPD:

- How do staffing levels in the Police Department compare to peer villages, industry standards, and recommended or leading practices?

Audit work was conducted between December 2010 and March 2011, and data was drawn primarily from fiscal years (FY) 2009 and 2010. To complete this report, auditors conducted interviews with Village personnel and reviewed and assessed information from Woodmere, peer villages, and other relevant sources. Peer data and other information used for comparison purposes were not tested for reliability.

AOS used two villages as peers for benchmarking purposes: Brooklyn Heights and Glenwillow, both of which are located in Cuyahoga County. These villages were selected based upon demographic and operational data. Additionally, input was requested from Woodmere during the peer selection process. To further help evaluate WPD's staffing levels, AOS developed audit averages based on data collected in prior performance audits from six cities with populations ranging from 5,500 to 9,800. The exceptions are calls for service and daily calls for service per FTE which reflects only five cities because one city was a significant outlier, and support staff FTEs and support staff FTEs per 100 citizens reflect only four cities due to a lack of data from two cities. The selected peers include the following cities which were included in performance audits published in 2006: Napoleon, Northwood, Rossford, Shelby, Wapakoneta, and Wauseon. External organizations and sources were also used to provide comparative information and benchmarks, including the Federal Bureau of Investigation (FBI) and International Association of Chiefs of Police.

The performance audit process involved significant information sharing with the Village, including discussions of preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the Village of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the Village was solicited and considered when assessing the selected areas and framing recommendations. Finally, the Village provided verbal and written comments in response to

various recommendations that were taken into consideration during the reporting process. Where warranted, AOS modified the report based on these comments.

The Auditor of State and staff express appreciation to the Village, WPD and the peers for their cooperation and assistance throughout this audit.

## Conclusions and Recommendations

The audit report contains two recommendations that are intended to provide WPD with options for enhancing its staffing efficiency and effectiveness. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety (beginning on page 5). The following summarizes the recommendations from the performance audit of WPD:

- Reduce staffing levels at WPD by at least 3.0, and up to 6.0, FTE sworn officer positions.
- Reduce sick leave use.

## Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. The following presents issues requiring further study:

- As shown in **Table 1**, WPD covers only 0.33 square miles and employs significantly more sworn officers per 100 residents (2.21) than the prior audit average (0.21), which comprises six cities with populations ranging from 5,500 to 9,800. Likewise, the FBI's Uniform Crime Report shows that the average sworn police officer staffing level for Midwestern cities with populations under 10,000 was 0.28 per 100 citizens in 2009, while the overall Midwestern average for all cities was 0.22. As a result, WPD employs 7.9 times the number of sworn officers when compared to the FBI Midwestern average for cities with fewer than 10,000 residents and 10.0 times the number of sworn officers when compared to the overall Midwestern average. These variances show that the Village's small population significantly hinders its ability to achieve economies of scale. This, in turn, requires WPD to incur higher operating costs relative to other local governments that serve a higher population. According to the Mayor, the Village has considered consolidating police services with neighboring municipalities, but also indicated that the residents may prefer their own Police Department in order to maintain an identity. Furthermore, the Mayor noted that the Village can no longer afford to operate the police and fire departments at the current staffing levels.

Based on the factors noted above, Woodmere should further explore the option of contracting with other local governments for police services rather than operating its own department. In doing so, the Village should discuss the benefits and costs of such options with the community.

## Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the ensuing section of the performance audit.

### Summary of Performance Audit Recommendations

Recommendation	Impact
1.1 Reduce staffing levels at WPD by at least 3.0, and up to 6.0, FTE sworn officer positions.	\$90,000 to \$179,000
1.2 Reduce sick leave use.	\$2,300
<b>Total</b>	<b>\$92,300 to \$181,300</b>

## Recommendations

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### **1.1 Reduce staffing levels at WPD by at least 3.0, and up to 6.0, FTE sworn officer positions.**

**Based on peer comparisons, Woodmere should reduce staffing levels at WPD by at least 3.0, and up to 6.0, sworn officer FTEs. However, the Village should ensure that staffing reductions would not adversely impact crime rates and response times. In order to account for such variables, the Village should require that WPD report crimes by category on a regular basis (e.g., monthly and yearly) and work with Chagrin Falls to segregate response time data for police and fire calls. Woodmere should also review call information, including the type of call, day of the week, time of day, and response times, to determine if work schedules should be adjusted to better align with service demands.**

**Table 1** compares demographic, operational and staffing data at WPD to the peer villages and prior audit averages.

**Table 1: Demographic, Operating and Staffing Comparisons**

	Woodmere	Brooklyn Heights	Glenwillow	Peer Average	Prior Audit Average <sup>1</sup>
<b>DEMOGRAPHIC AND OPERATING DATA</b>					
Square Miles	0.33	1.77	2.72	2.25	5.67
Population	750	1,443	615	1,029	7,935
Calls for Service	6,160 <sup>2</sup>	4,969 <sup>3</sup>	835 <sup>3</sup>	2,902	11,257
<b>STAFFING LEVELS – 2010</b>					
Sworn Officer FTEs	16.54	16.73	8.88	12.81	15.48
Jail/Auxiliary FTEs	0.00	0.35	0.00	0.17	N/A
Support Staff FTEs	0.27	1.49	0.49	0.99	1.28
<b>STAFFING RATIOS</b>					
Sworn Officer FTEs per 100 Citizens	2.21	1.16	1.44	1.30	0.21
• Ranked FTEs per 100 Citizens	0.66	0.42	0.26	0.34	N/A
• Non-Ranked FTEs per 100 Citizens	1.54	0.74	1.18	0.96	N/A
Jail/Auxiliary FTEs per 100 Citizens	0.00	0.02	0.00	0.01	N/A
Support Staff FTEs per 100 Citizens	0.04 <sup>4</sup>	0.10	0.06	0.08	0.02
Daily Calls for Service per Sworn Officer FTE	1.43	1.14	0.36	0.75	2.76
Square Miles per Sworn Officer FTE	0.02	0.11	0.31	0.21	0.36

Source: WPD, peers, and the U.S. Census Bureau

<sup>1</sup> The prior audit average reflects data collected in prior performance audits from six cities with populations ranging from 5,500 to 9,800, with the exception of calls for service and daily calls for service per FTE (5), and support staff FTEs and support staff FTEs per 100 citizens (4).

<sup>2</sup> This reflects 2010 data and excludes 1,240 shift call-ins because they do not represent actual calls for service and are not reflected in calls for service reports at Brooklyn Heights and Glenwillow.

<sup>3</sup> This reflects 2009 data because actual data for 2010 was not available at the time of the information request. However, projecting the calls for service for 2010 based on actual activity through October 2010 reveals that using the projected 2010 calls for service would not adversely affect the comparisons.

<sup>4</sup> The person filling this position was hired during 2010. Prorating the hours for an entire year equates to 0.05 FTEs per 100 citizens, still lower than Brooklyn Heights and Glenwillow.

**Table 1** shows that WPD employs more sworn officers per 100 citizens than Brooklyn Heights, Glenwillow, and the prior audit average. Likewise, **Table 1** shows that WPD employs more ranked officer FTEs per 100 citizens and non-ranked officer FTEs per 100 citizens when compared to Brooklyn Heights and Glenwillow. While WPD responds to more daily calls for service per sworn officer FTE<sup>1</sup> than the peer average, it responds to fewer calls for service per sworn officer FTE when compared to the prior audit average. Additionally, WPD covers a significantly smaller area than the peer and prior audit averages. Specifically, **Table 1** shows that

<sup>1</sup> In addition to the shift call-ins which were excluded from **Table 1**, WPD’s calls for service include other instances which do not always reflect an actual call for service. However, when excluding these calls, WPD still responds to more calls for service per sworn officer FTE (1.30) than the peer average.

the peer average square mileage is 6.8 times greater than WPD, while the prior audit average is 17.2 times greater. As a result, WPD covers only 0.02 square miles per sworn officer FTE, much lower than the peer (0.21) and prior audit (0.36) averages.

The absence of effective tracking, reporting, and monitoring of key data (i.e., response times and crimes), failing to assign staff based on call volumes throughout the day, and using high amounts of sick leave (see 1.2) increase the risk of inefficient and/or ineffective staffing levels. These issues are summarized by the following:

- WPD does not report and monitor response times. Currently, Woodmere's response time report reflects both police and fire calls. According to the Chagrin Falls Dispatch Center, the system vendor was contacted in an effort to separately report fire and police response times. During the time of this assessment, Chagrin Falls did not provide separate response times for police and fire. *Municipal Benchmarks* (Ammons, 2001) reports that based on a study conducted by the League of California Cities, high service level departments should respond to emergencies within five minutes.
- While the sergeants indicated that calls for service reports are reviewed on a monthly basis, WPD does not track crimes in a manner that enables effective management reporting. Specifically, according to one of the sergeants, WPD cannot easily produce a monthly or yearly report of crimes by category within the Village. In order to produce such reports, the sergeant indicated that the data would have to be compiled from the daily call logs. Conversely, Brooklyn Heights and Glenwillow report crime data through Ohio's Incident-Based Reporting System. Brooklyn Heights also reports crime data through the FBI's Uniform Crime Reporting (UCR) Program. Additionally, *Officers-per-Thousand: Formulas and Other Policy Myths* (International Association of Chiefs of Police, 2007) indicates that no meaningful correlation has been found between the number of officers employed in a community and the crime rate. The article states that if a community wishes to reduce crime, additional officers can only help when added to an effective, mission-focused department, one that has instilled throughout the organization accountability for community livability and for the level of crime. The article indicates that the following steps can guide staffing choices:
  - Set community goals;
  - Review efficiency and effectiveness;
  - Tie recommendations to results; and
  - Make decisions/hold accountable.

- WPD schedules uniform staff coverage regardless of workload requirements that can vary throughout the day.<sup>2</sup> By comparison, *Law Enforcement Shift Schedules* (Shiftwork Solutions, 2003) recommends that police departments use alternative scheduling to redistribute personnel from less busy times (typically 3:00 am to 10:00 am) to the higher workload periods (typically 10:00 am to midnight). This would avoid understaffing the busy periods of the day and overstaffing the less busy periods.

In order to achieve the peer average of 1.3 FTEs per 100 citizens, the Village would need to eliminate 6.78 FTEs. This would result in WPD covering 0.03 square miles per sworn officer, still much lower than the peer and prior audit averages. While the daily calls for service would increase to 2.43 per sworn officer, it would still be lower than the prior audit average. If the Village chose to reduce half of the abovementioned positions to still employ more FTEs per 100 citizens than the peer average, it would equate to eliminating 3.39 FTEs.

*Financial Implication:* If the Village eliminated 3.0 sworn officer FTEs, it would save approximately \$90,000 annually in salaries and retirement benefits. Eliminating 6.0 sworn officer FTEs would save approximately \$179,000 annually in salaries and retirement benefits. These savings are based on the lowest salaried patrol officers in 2010 to provide a conservative estimate.

## 1.2 Reduce sick leave use.

**Woodmere should review factors that can impact sick leave use at WPD, such as the composition of staff, accrual rates and limitations, monitoring activities, and disciplinary measures. In particular, the Village should consider increasing the use of part-time staff and decreasing the use of full-time staff. Along with helping to reduce sick leave use, this would help reduce insurance costs and increase WPD's flexibility in scheduling staff. Reducing sick leave use would help maximize productivity and minimize the need for overtime.**

WPD used an average of 116 sick leave hours per full-time position in 2010, much higher than Brooklyn Heights (90) and Glenwillow (47). As a result, sick leave comprised 5.0 percent of the total compensated hours at WPD in 2010, higher than Brooklyn Heights (4.4 percent) and Glenwillow (1.0 percent). Likewise, WPD's sick leave use per full-time position is three times higher than the average of 39 sick leave hours per State employee represented by the FOP

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<sup>2</sup> Prior to 2010, WPD scheduled staff to three 8-hour shifts. However, in 2010, the Village switched to a 12-hour schedule. The sergeants indicated the change was necessary to address scheduling difficulties as a result of three officers being placed on paid administrative leave. Typically, WPD schedules its weekday shifts with full-time officers and weekend shifts with part-time officers, who also work as needed during the week.

bargaining unit in 2010, as reported by the Ohio Department of Administrative Services (DAS).<sup>3</sup> WPD’s higher use of sick leave is partially due to certain employees taking extended medical leave. However, 11 of the 15 full-time employees used more than the DAS benchmark of 39 sick leave hours. Further, WPD’s higher sick leave use is partially due to a greater reliance on full-time officers, when compared to Glenwillow. WPD provides sick leave and insurance benefits only to full-time employees. **Table 2** compares WPD’s use of part-time sworn officers in to the peers.

**Table 2: Use of Part-Time Staff**

	Woodmere	Brooklyn Heights	Glenwillow	Peer Average
<b>Sworn Officers: % Part-Time</b>	46.4%	39.3%	75.0%	57.1%
<b>Sworn Officers Regular Hours: % Part-Time</b>	17.9%	2.4%	37.5%	20.0%

Source: WPD and peers

**Table 2** shows that 46.4 percent of sworn officers at WPD are part-time, a number that is significantly lower than Glenwillow. Similarly, part-time officers comprise 17.9 percent of the total regular hours at WPD, less than half the percentage in Glenwillow (37.5 percent). Other factors such as accrual rates, monitoring practices, and disciplinary measures can also contribute to higher sick leave use. For example, WPD’s collective bargaining agreement allows for unlimited sick leave accrual.

High use of sick leave increases the need to employ more staff (see **1.1**) and incur more overtime. For instance, overtime comprised 1.73 percent of total hours at WPD in 2010, which is higher than the peer average of 1.27 percent.<sup>4</sup>

*Financial Implication:* If WPD reduced the percentage of overtime to the peer average by taking measures to reduce sick leave use, the Village would save approximately \$2,300 annually in salaries and retirement benefits. This estimate is based on the lowest salaried patrol officers in 2010 to be conservative.

<sup>3</sup> Even when including the part-time positions which do not use sick leave, WPD averaged 60 sick leave hours per employee, which is 54 percent higher than the DAS benchmark.

<sup>4</sup> Overtime at Brooklyn Heights and Glenwillow comprised 0.80 and 1.73 percent of total hours, respectively.

## **Client Response**

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The letter that follows is Woodmere's official response to the performance audit. Throughout the audit process, staff met with Village officials to ensure substantial agreement on the factual information presented in the report. When Village officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.

The Village's official response did not require any modifications to the performance audit report. Although the Village's official response indicates that the Police Chief would provide a separate response letter, that letter was not received at the time of final publication and release of this audit report. Furthermore, audit staff followed up with the Chagrin Falls Dispatch Center to address the questions raised by the Police Chief at the exit conference meeting. This follow-up confirmed the accuracy of the call data used in the performance audit.



## The Village of Woodmere

*"Gateway To The Chagrin Valley"*

27899 Chagrin Boulevard • Woodmere Village, Ohio 44122  
216/831-9511

**CHARLES E. SMITH**  
MAYOR

May 4, 2011

David Yost, Auditor of State  
88 East Broad Street  
Columbus, OH 43215

Dear Mr. Yost:

The Village of Woodmere recently engaged the Auditor of State's Office to conduct a Performance Audit of our Police Department.

In particular due to the changing economy, we wanted an independent review of our staffing in the police department in comparison with other comparable communities. Woodmere is unique in that we have approximately 850 residents and as many as 15,000 visitors passing through during the day and evening at our various business/retail stores.

Your auditors did an excellent job in providing us with financial data information that will allow us to move forward and consider various recommendations from their report. We will work with Village Council to strategize on how to implement their recommendations that are determined to provide an economic benefit without jeopardizing the safety currently provided to our residents and businesses.

Our Police Chief did have a question with regards to some of the data provided to the auditors by Chagrin Falls Dispatch that he will respond to in a separate letter. I also want to acknowledge the staff who conducted the audit for their professionalism and the manner in which they presented the audit results to our Village Council.

Sincerely,

  
Charles E. Smith, Mayor

Cc: Village Council  
Ross S. Cirincione  
Terence Calloway  
Thomas M. Cornhoff



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF MORELAND HILLS  
 CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net assets-Cash Basis .....	9
Statement of Activities-Cash Basis .....	10
Fund Financial Statements	
Statement of Cash Basis Assets and Fund Balances-Governmental Funds .....	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances-Governmental Funds .....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance-Budget and Actual Budget Basis- General Fund.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance-Budget and Actual Budget Basis- Police and Fire Levy Fund.....	16
Statement of Fiduciary Net Assets-Cash Basis .....	17
Notes to the Basic Financial Statements .....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	35

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**Mary Taylor, CPA**  
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General and Police and Fire Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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)

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

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

**Mary Taylor, CPA**  
Auditor of State

March 29, 2010

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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This discussion and analysis of the financial performance of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) provides an overall review of the Village's financial activities for the year ended December 31, 2009, 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 2009 are as follows:

Net assets of governmental activities decreased by \$0.2 million or 2.0 percent, over 2008. This was due to a combined increase in fund balances of approximately \$1.1 million in the Chagrin Blvd. Slope Stabilization, JQW Improvement, and Other Governmental Funds which was offset by a total decline of \$1.4 million in the fund balances of the Property Improvement Fund, Police and Fire Levy Fund, and Waste Water Treatment Plant Expansion Fund.

The Village's general receipts are primarily income and property taxes. These receipts represent respectively 52% and 29% of the total cash received for governmental activities during the year. Income Tax receipts decreased by 1.2% over 2008 due to the state of the general economy. Also, Property Tax receipts decreased by 1.3% due to a slight decline in assessed valuation based on the County Auditor's revaluation.

During the year the Village's bond rating remained at Aa2 and was upgraded from Aa3 by Moody's Investors Service during 2004 due to its extremely wealthy and stable residential base and healthy financial operations.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited  
(Continued)

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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 Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

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

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

**Reporting the Government's Most Significant Funds**

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for 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, Property Improvement, Waste Water Treatment Plant Expansion, Chagrin Blvd. Slope Stabilization, JQW Improvement, and Police and

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2009  
 Unaudited  
 (Continued)

Fire Levy funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis.

(Table 1)  
**Net Assets**

	Governmental Activities	
	2009	2008
<b>Assets</b>		
Cash and Cash Equivalents	\$11,767,951	\$11,989,136
Total Assets	\$11,767,951	\$11,989,136
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	4,592,319	4,174,553
Debt Service	246,445	239,693
Other Purposes	920,140	1,674,162
Unrestricted	6,009,047	5,900,728
Total Net Assets	\$11,767,951	\$11,989,136

As mentioned previously, net assets of governmental activities decreased slightly by \$0.2 million or 2.0 percent during 2009. The General Fund stayed at \$6.0 million. There was a combined increase in fund balances of approximately \$1.1 million in the Chagrin Blvd Slope Stabilization, JQW Improvement, and Other Governmental Funds which was offset by a combined decline of \$1.4 million in the fund balances of Property Improvement Fund, Police and Fire Levy Fund, and Waste Water Treatment Plant Expansion.

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2009  
 Unaudited  
 (Continued)

Table 2 reflects the changes in net assets during 2009 and also provides a comparative analysis of government-wide data.

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

	Governmental Activities 2009	Governmental Activities 2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$135,356	\$199,789
Operating Grants and Special Assessments	318,649	322,826
Capital Grants and Special Assessments	550,337	244,126
Total Program Receipts	1,004,342	766,741
General Receipts:		
Property Taxes	1,676,679	1,699,124
Income Taxes	2,983,535	3,020,054
Grants and Entitlements Not Restricted to Specific Programs	698,785	1,137,487
Interest	80,513	310,452
Miscellaneous	191,373	152,586
Total General Receipts	5,630,885	6,319,703
Total Receipts	6,635,227	7,086,444
Disbursements:		
General Government	1,412,225	1,471,821
Security of Persons and Property	1,817,584	1,717,128
Public Health Services	19,175	19,680
Community Environment	69,166	52,109
Basic Utility Services	1,426,949	1,376,964
Transportation	304,057	620,880
Capital Outlay	1,624,815	167,684
Principal Retirement	131,589	161,475
Interest and Fiscal Charges	50,852	60,184
Total Disbursements	6,856,412	5,647,925
Increase in Net Assets	(221,185)	1,438,519
Net Assets, January 1	11,989,136	10,550,617
Net Assets, December 31	\$11,767,951	\$11,989,136

Program receipts represented 15 percent of total receipts during 2009 compared to 11 percent in 2008 primarily due to \$0.3 million grant from the Ohio Public Works Commission for the Chagrin Boulevard Slope Stabilization and JQW Improvement Funds. Program receipts are primarily comprised of charges for services and special assessments against properties for maintenance and expansion of infrastructure and revenues from restricted intergovernmental receipts such as motor vehicle license and gas tax money and grants.

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2009  
 Unaudited  
 (Continued)

General receipts represent 85 percent of the Village's total receipts during 2009 compared to 89 percent during 2008, and of this amount, over 53 percent are local municipal income taxes and 30 percent property taxes and the balance is comprised of state grants and entitlements. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, auditor, treasurer, and income tax collections, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of Persons and Property are the costs of police and fire protection; Public Health Services are county health department fees; Community Environment Activities are the costs of maintaining the Village community activities; and Transportation is the cost of maintaining the roads and sewers.

**Governmental Activities**

The Statement of Activities on page 10 lists the major services provided by the Village in the first column. The next column identifies the costs of providing these services. The largest program disbursements for governmental activities are for security of persons and property, which account for 26.5 percent of all governmental expenses during 2009. General government and basic utility services also represent significant disbursements, each accounting for 21 percent of total expenses. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compare the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2009	Net Cost of Services 2009	Total Cost Of Services 2008	Net Cost of Services 2008
General Government	\$1,412,225	(\$1,365,613)	\$1,471,821	(\$1,379,203)
Security of Persons and Property	1,817,584	(1,763,090)	1,717,128	(1,667,632)
Public Health Services	19,175	(3,154)	19,680	8,025
Community Environment	69,166	(69,166)	52,109	(52,109)
Basic Utility Services	1,426,949	(1,157,448)	1,376,964	(1,133,448)
Transportation	304,057	(296,068)	620,880	(601,168)
Capital Outlay	1,624,815	(1,104,478)	167,684	76,442
Redemption of Principal	131,589	(42,201)	161,475	(71,907)
Interest and Fiscal Charges	50,852	(50,852)	60,184	(60,184)
<b>Total Expenses</b>	<b>\$6,856,412</b>	<b>(\$5,852,070)</b>	<b>\$5,647,925</b>	<b>(\$4,881,184)</b>

The dependence upon property and income tax receipts is apparent as over 68 percent of governmental activities are supported through these general receipts.

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited  
(Continued)

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**The Government's Funds**

Total governmental funds had receipts of \$6,635,227 and disbursements of \$6,856,412. The largest positive change within governmental funds occurred in the JQW Improvement Fund which increased by \$644,912 primarily due to transfers in from the Waste Water Treatment Plant Fund for the conversion of treatment plants into pump stations which will prove to be not only environmentally friendly but also economical to operate compared to the current system. The Village has started using some of funds for construction of the Service Garage. The other increases were in the Chagrin Blvd. Slope Stabilization Fund and Other General Government Funds which together totaled \$502,262. The Police and Fire Levy Fund decreased by \$545,246 due to the reason mentioned above.

**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 2009, the Village amended its General Fund budget several times to reflect changing circumstances. There was no change between final actual and original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$3,709,928. Final disbursements were budgeted at \$3,207,706 while actual disbursements were \$2,899,540, which includes year-end encumbrances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Outstanding Debt**

At December 31, 2009, the Village's outstanding debt was \$1,034,655 comprising of Various Purpose and Street improvement bonds along with an Ohio Public Works Commission Loan. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The Village continues to be among the area's wealthiest suburbs as reflected in high full value per capita and income measures well above the state and national averages. The Village's moderate tax base is expected to grow at historical rates of around 3 percent. The Village continues to strive for ways and means to make optimum utilization of available resources. Over the past few years the Village has joined consortiums and updated its bidding requirements to get the lowest and best process for all contracts issued and purchases made during the year. Based on prudent management and financially conservative budgeting practices, the Village's financial operations are expected to remain healthy.

**Contacting the Government's Financial Management**

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

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2009*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,767,951
<i>Total Assets</i>	\$11,767,951
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$4,592,319
Debt Service	246,445
Other Purposes	920,140
Unrestricted	6,009,047
<i>Total Net Assets</i>	\$11,767,951

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Activities - Cash Basis*  
*December 31, 2009*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Special Assessments	Capital Grants and Special Assessments	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$1,412,225	\$46,612	\$0	\$0	(\$1,365,613)
Security of Persons and Property	1,817,584	54,389	105	0	(1,763,090)
Public Health Services	19,175	16,021	0	0	(3,154)
Community Environment	69,166	0	0	0	(69,166)
Basic Utility Services	1,426,949	10,345	229,156	30,000	(1,157,448)
Transportation	304,057	7,989	0	0	(296,068)
Capital Outlay	1,624,815	0	0	520,337	(1,104,478)
Redemption of Principal	131,589	0	89,388	0	(42,201)
Interest and Fiscal Charges	50,852	0	0	0	(50,852)
<i>Total Governmental Activities</i>	<u>\$6,856,412</u>	<u>\$135,356</u>	<u>\$318,649</u>	<u>\$550,337</u>	<u>(5,852,070)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			1,588,201
		Debt Service			88,478
		Municipal Income Taxes			2,983,535
		Grants and Entitlements			
		Not Restricted to Specific Programs			698,785
		Interest			80,513
		Miscellaneous			191,373
		<i>Total General Receipts</i>			<u>5,630,885</u>
		Change in Net Assets			(221,185)
		<i>Net Assets, Beginning of Year</i>			<u>11,989,136</u>
		<i>Net Assets, End of Year</i>			<u>\$11,767,951</u>

See accompanying notes to the basic financial statements

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**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**  
*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2009*

	General	Property Improvement	Waste Water Treatment Plant Expansion	Chagrin Blvd Slope Stabilization	JQW Improvement	Police and Fire Levy
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$6,009,047	\$1,356,578	\$1,551,635	\$318,417	\$645,755	\$4,556
<i>Total Assets</i>	<u>\$6,009,047</u>	<u>\$1,356,578</u>	<u>\$1,551,635</u>	<u>\$318,417</u>	<u>\$645,755</u>	<u>\$4,556</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$259,826	\$0	\$12,630	\$315,275	\$586,026	\$3,920
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	5,749,221	0	0	0	0	0
Special Revenue Funds	0	0	0	0	0	636
Debt Service Fund	0	0	0	0	0	0
Capital Projects Funds	0	1,356,578	1,539,005	3,142	59,729	0
<i>Total Fund Balances</i>	<u>\$6,009,047</u>	<u>\$1,356,578</u>	<u>\$1,551,635</u>	<u>\$318,417</u>	<u>\$645,755</u>	<u>\$4,556</u>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

Other Governmental Funds	Total Governmental Funds
\$1,881,963	\$11,767,951
<u>\$1,881,963</u>	<u>\$11,767,951</u>
\$806,047	\$1,983,724
0	5,749,221
680,960	681,596
246,445	246,445
148,511	3,106,965
<u>\$1,881,963</u>	<u>\$11,767,951</u>

Tab 5: Supporting Documentation

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
December 31, 2009*

	General	Property Improvement	Waste Water Treatment Plant Expansion	Chagrin Blvd Slope Stabilization	JQW Improvement	Police and Fire Levy
<b>Receipts</b>						
Municipal Income Taxes	\$2,983,535	\$0	\$0	\$0	\$0	\$0
Property and Other Local Taxes	858,280	0	0	0	0	663,604
Special Assessments	0	0	228,942	0	0	0
Charges for Services	11,832	0	0	0	0	0
Fines, Licenses and Permits	136,703	0	0	0	0	0
Intergovernmental	416,970	0	0	267,884	23,511	91,593
Interest	63,340	0	13,598	0	0	0
Miscellaneous	140,761	0	0	0	0	2,903
<i>Total Receipts</i>	<u>4,611,421</u>	<u>0</u>	<u>242,540</u>	<u>267,884</u>	<u>23,511</u>	<u>758,100</u>
<b>Disbursements</b>						
Current:						
General Government	1,411,340	0	0	0	0	0
Security of Persons and Property	0	0	0	0	0	1,630,482
Public Health Services	17,653	0	0	0	0	0
Community Environment	67,511	0	0	0	0	0
Basic Utility Services	1,048,289	0	0	0	0	0
Transportation	94,921	0	0	0	0	0
Capital Outlay	0	212,478	2,382	770,372	342,599	62,864
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Disbursements</i>	<u>2,639,714</u>	<u>212,478</u>	<u>2,382</u>	<u>770,372</u>	<u>342,599</u>	<u>1,693,346</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,971,707</u>	<u>(212,478)</u>	<u>240,158</u>	<u>(502,488)</u>	<u>(319,088)</u>	<u>(935,246)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	92,769	0	0	980,000	465,000
Transfers Out	(1,152,897)	0	(980,000)	0	0	(75,000)
Advances In	353,128	0	0	875,500	260,000	0
Advances Out	(1,135,500)	0	0	(55,000)	(276,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,935,269)</u>	<u>92,769</u>	<u>(980,000)</u>	<u>820,500</u>	<u>964,000</u>	<u>390,000</u>
<i>Net Change in Fund Balances</i>	36,438	(119,709)	(739,842)	318,012	644,912	(545,246)
<i>Fund Balances, Beginning of Year</i>	<u>5,972,609</u>	<u>1,476,287</u>	<u>2,291,477</u>	<u>405</u>	<u>843</u>	<u>549,802</u>
<i>Fund Balances, End of Year</i>	<u>\$6,009,047</u>	<u>\$1,356,578</u>	<u>\$1,551,635</u>	<u>\$318,417</u>	<u>\$645,755</u>	<u>\$4,556</u>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

Other Governmental Funds	Total Governmental Funds
\$0	\$2,983,535
154,795	1,676,679
318,544	547,486
26,366	38,198
8,164	144,867
220,327	1,020,285
3,575	80,513
0	143,664
<u>731,771</u>	<u>6,635,227</u>
885	1,412,225
187,102	1,817,584
1,522	19,175
1,655	69,166
378,660	1,426,949
209,136	304,057
234,120	1,624,815
131,589	131,589
50,852	50,852
<u>1,195,521</u>	<u>6,856,412</u>
<u>(463,750)</u>	<u>(221,185)</u>
670,128	2,207,897
0	(2,207,897)
0	1,488,628
<u>(22,128)</u>	<u>(1,488,628)</u>
<u>648,000</u>	<u>0</u>
184,250	(221,185)
<u>1,697,713</u>	<u>11,989,136</u>
<u>\$1,881,963</u>	<u>\$11,767,951</u>

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*December 31, 2009*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$558,934	\$558,934	\$2,983,535	\$2,424,601
Property and Other Local Taxes	160,790	160,790	858,280	697,490
Charges for Services	2,217	2,217	11,832	9,615
Fines, Licenses and Permits	25,610	25,610	136,703	111,093
Intergovernmental	115,464	115,464	416,970	301,506
Interest	12,054	12,054	63,340	51,286
Miscellaneous	26,370	26,370	140,761	114,391
<i>Total Receipts</i>	901,439	901,439	4,611,421	3,709,982
<b>Disbursements</b>				
Current:				
General Government	1,631,070	1,691,435	1,460,576	230,859
Public Health Services	17,200	17,653	17,653	0
Community Environment	54,500	68,700	67,511	1,189
Basic Utility Services	1,183,600	1,221,774	1,146,893	74,881
Transportation	165,000	208,144	206,907	1,237
<i>Total Disbursements</i>	3,051,370	3,207,706	2,899,540	308,166
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,149,931)	(2,306,267)	1,711,881	4,018,148
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,921,403)	(1,981,403)	(1,152,897)	828,506
Advances In	93,128	93,128	353,128	260,000
Advances Out	(308,216)	(308,216)	(1,135,500)	(827,284)
<i>Total Other Financing Sources (Uses)</i>	(2,136,491)	(2,196,491)	(1,935,269)	261,222
<i>Net Change in Fund Balance</i>	(4,286,422)	(4,502,758)	(223,388)	4,279,370
<i>Fund Balance, Beginning of Year</i>	5,900,728	5,900,728	5,900,728	0
Prior Year Encumbrances Appropriated	71,881	71,881	71,881	0
<i>Fund Balance, End of Year</i>	\$1,686,187	\$1,469,851	\$5,749,221	\$4,279,370

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Police and Fire Levy Fund  
December 31, 2009*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$656,578	\$656,578	\$663,604	\$7,026
Intergovernmental	90,623	90,623	91,593	970
Miscellaneous	2,872	2,872	2,903	31
<i>Total Receipts</i>	<u>750,073</u>	<u>750,073</u>	<u>758,100</u>	<u>8,027</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	1,678,630	1,634,417	1,634,402	15
Capital Outlay	62,870	62,864	62,864	0
<i>Total Disbursements</i>	<u>1,741,500</u>	<u>1,697,281</u>	<u>1,697,266</u>	<u>15</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(991,427)</u>	<u>(947,208)</u>	<u>(939,166)</u>	<u>8,042</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(110,000)	(75,000)	(75,000)	0
Transfers In	560,000	560,000	465,000	(95,000)
<i>Total Other Financing Sources (Uses)</i>	<u>450,000</u>	<u>485,000</u>	<u>390,000</u>	<u>(95,000)</u>
<i>Net Change in Fund Balance</i>	<u>(541,427)</u>	<u>(462,208)</u>	<u>(549,166)</u>	<u>(86,958)</u>
<i>Fund Balance, Beginning of Year</i>	542,921	542,921	542,921	0
Prior Year Encumbrances Appropriated	6,881	6,881	6,881	0
<i>Fund Balance, End of Year</i>	<u>\$8,375</u>	<u>\$87,594</u>	<u>\$636</u>	<u>(\$86,958)</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2009*

	Agency
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$152,825
<i>Total Assets</i>	\$152,825
 <b>Net Assets</b>	
Unrestricted	\$152,825

See accompanying notes to the basic financial statements

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Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

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**Note 1 – Reporting Entity**

The Village of Moreland Hills, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term.

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

**A. Primary Government**

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

**B. Component Units**

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

**C. Jointly Governed Organizations**

The Village participates in two jointly governed organizations. Note 13 to the financial statements provide additional information for these entities.

These organizations are:

Jointly Governed Organizations:

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

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)**B. Fund Accounting**

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

**Governmental Funds**

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

**Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

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

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

During 2009, the Village invested in Federal Government Agencies, an overnight sweep account, and STAR Ohio. All Village investments are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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

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 2009 was \$63,340. Interest was also allocated to the Waste Water Treatment Plant Expansion Fund, the Motor Vehicle License Fund, Street, Construction, Maintenance and Repair Fund, State Highway Fund, and the Sewage Treatment Plant Fund in the amounts of \$13,598, \$1,033, \$1,620, \$153 and \$769 respectively during 2009.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

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

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

**L. Long-Term Obligations**

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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

**M. Net Assets**

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

**N. Fund Balance Reserves**

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

**O. Interfund Transactions**

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

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and the major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis), and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$259,826 for the General Fund and \$3,920 for the Police and Fire Levy major special revenue fund. The outstanding advances at year end amounted to \$1,135,500 for the General Fund.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**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  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$204,035 of the Village's bank balance of \$454,035 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

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

Investments

As of December 31, 2009, the Village had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity</u>
FHLB Notes	\$750,000	24 months
Repurchase Agreements - Overnight Sweep Account	2,564,000	1 day
STAR Ohio	8,270,927	30 days
Total Portfolio	<u>\$11,584,927</u>	

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

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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

*Concentration of Risk:* The Village places no limit on the amount that may be invested in any one issuer. The Village investments in FHLB, Star Ohio and Repurchase Agreements represent 6%, 72% and 22% respectively.

**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 property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property assessments have been phased out. They were reduced to 6.25 percent for 2008, and zero for 2009. Tangible personal property tax is assessed by the property owners for 2008 and only against local and inter-exchange telephone companies for 2009, who must file a list of such property to the County by each April 30.

The effective tax rate for all Village operations for the year ended December 31, 2009, was \$66.77 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$242,030,500
Tangible Personal Property	174,965
Public Utility Property	1,599,150
Commercial Property	5,519,820
Total Assessed Values	\$249,324,435

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 7 – Interfund Receivables/Payables**

Interfund balances at December 31, 2009, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Other Governmental Funds:

Chagrin Blvd Slope Stabilization Project Fund	\$875,500
JQW Improvement Fund	<u>260,000</u>
 Total Other Governmental Funds	 <u><u>\$1,135,500</u></u>

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

**Note 8 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the Village contracted for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Selective Insurance Company	Commercial Property	\$3,811,735
	General Liability	2,000,000
	Commercial Umbrella	10,000,000
	Vehicle	1,000,000
	Employee Benefits	2,000,000
	Public Officials	1,000,000
	Police Professional	1,000,000

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

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

The Village's employee health care is provided by Medical Mutual of Ohio. The Village pays a monthly premium for single and married coverage.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 9 – Defined Benefit Pension Plans****A. Ohio Public Employees Retirement System**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll. The Village's contribution rate for 2009 was 14 percent. For 2009, a portion of the Village's contribution equal to 7 percent for January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 of the covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$82,349, \$82,422, and \$90,800 respectively. The full amount has been contributed for 2009, 2008 and 2007. The Village made no contributions to the member-directed plan for 2009.

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2009, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2009, 2008, and 2007 were \$117,334, \$100,363, and \$104,535. The full amount has been contributed for 2009, 2008 and 2007.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 10 - Postemployment Benefits**

*Ohio Public Employees Retirement System:* OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

*Funding Policy* – The post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14 percent of covered payroll. Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care benefits was 7 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$59,544, \$82,422 and \$56,429 respectively. 100 percent has been contributed for 2009, 2008 and 2007.

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

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

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

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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

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

OP&F 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 OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The portion of the Village's contributions which were allocated to fund post-employment benefits for 2009, 2008 and 2007 was \$62,118, \$66,197, \$55,342, for police respectively.

*Social Security:* Some Council members have elected to contribute to Social Security. The contribution rate for 2009 was 6.2 percent.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**Note 11 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2009, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Debt Outstanding 1/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Principal 12/31/09</u>	<u>Due Within One Year</u>
1998 General Oligation Bonds (Original Amount: \$1,425,000)	4.55 and 5.125%	\$875,000	\$0	\$70,000	\$805,000	\$75,000
2007 OPWC Loan (Original Amount: \$252,179)	1%	241,244	0	11,589	229,655	11,705
1989 Street Improvement Bonds (Original Amount: \$583,000)	6% to 7.5%	50,000	0	50,000	0	0
<b>Total Governmental Activities</b>		<b><u>\$1,166,244</u></b>	<b><u>\$0</u></b>	<b><u>\$131,589</u></b>	<b><u>\$1,034,655</u></b>	<b><u>\$86,705</u></b>

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

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

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

<u>Year</u>	<u>G.O. Bonds</u>		<u>OPWC Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$75,000	\$41,256	\$11,705	\$2,267
2011	75,000	37,412	11,823	2,150
2012	80,000	33,570	11,942	2,031
2013	85,000	29,470	12,062	1,912
2014	90,000	25,112	12,182	1,791
2015-2019	400,000	52,020	62,769	7,098
2020-2024			65,979	3,889
2025-2027			41,196	724
<b>Totals</b>	<b><u>\$805,000</u></b>	<b><u>\$218,840</u></b>	<b><u>\$229,658</u></b>	<b><u>\$21,862</u></b>

Village of Moreland Hills  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2009  
 (Continued)

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**Note 11 – Debt** (Continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$25,638,882 and an unvoted debt margin of \$13,163,912.

**Note 12 – Interfund Transfers**

During 2009, the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$595,128
Property Improvement	92,769
Police and Fire Levy	465,000
Total General Fund Transfers	1,152,897
Transfers from the Police and Fire Levy Fund to:	
Police Pension Fund	75,000
Transfers from WWTP Expansion Funds:	
JQW Improvement	980,000
Total Transfers	\$2,207,897

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the Police and Fire Levy Fund to the Police Pension Fund was for police pension payments. The transfer from the Waste Water Treatment Plant Fund was for the conversion of treatment plants into pump stations.

**Note 13– Jointly Governed Organizations**

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2008. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Village of Moreland Hills  
Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 13 – Jointly Governed Organizations** (Continued)

**Valley Enforcement Regional Council of Governments**

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2009 the Village paid \$7,000 to VERCOG.

**Note 14 – 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 2009, the Village paid \$363,502 to the Chagrin Valley Engineering, Ltd.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, (the Village) as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

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 Internal Control Over Financial Reporting  
and on Compliance and Other Matters Required by Government Auditing Standards

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters that we reported to the Village's management in a separate letter dated March 29, 2010.

We intend this report solely for the information and use of the audit committee, management, Village. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 29, 2010



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MORELAND HILLS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 22, 2010**



**Dave Yost • Auditor of State**



VILLAGE OF MORELAND HILLS  
 CUYAHOGA COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds.....	13
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Police and Fire Levy Fund.....	16
Statement of Fiduciary Net Assets – Cash Basis.....	17
Notes to the Basic Financial Statements.....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	37

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio, as of December 31, 2010, and the respective changes in cash financial position, thereof and the respective budgetary comparisons for the General and Police and Fire Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

August 15, 2011

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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This discussion and analysis of the financial performance of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) provides an overall review of the Village's financial activities for the year ended December 31, 2010, 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 2010 are as follows:

Net assets of governmental activities decreased by \$3.1 million or 26.1 percent, over 2009. This was due to a decrease in fund balances of approximately \$1.1 million in the General Fund, \$1.3 million in the Property Improvement Fund, \$0.6 million in the Waste Water Treatment Plant Expansion Fund, and \$0.2 million in the JQW Improvement Fund.

The Village's general receipts are primarily income and property taxes. These receipts represent respectively 43% and 27% of the total cash receipts for governmental activities during the year. Income Tax receipts decreased by 16% over 2009 due to the state of the general economy. Also, Property Tax receipts decreased by 6% due to a countywide decline in assessed valuation based on the County Auditor's revaluation.

During the year the Village's bond rating was upgraded to Aa1 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 assets and the statement of activities provide information about the cash activities of the Village as a whole.

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

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

**Basis of Accounting**

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

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited  
(Continued)

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

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

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

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

**Reporting the 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, Property Improvement, Waste Water Treatment Plant Expansion, Chagrin Blvd Slope Stabilization, JQW Improvement, Service Facility and Police and Fire Levy funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2010  
 Unaudited  
 (Continued)

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2010 compared to 2009 on a cash basis.

(Table 1)  
**Net Assets**

	<b>Governmental Activities</b>	
	2010	2009
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$8,695,600	\$11,767,951
Total Assets	\$8,695,600	\$11,767,951
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	\$2,438,221	\$4,592,319
Debt Service	236,553	246,445
Other Purposes	1,080,292	920,140
Unrestricted	4,940,534	6,009,047
Total Net Assets	\$8,695,600	\$11,767,951

As mentioned previously, net assets of governmental activities decreased by \$3.1 million or 26.1 percent during 2010. The General Fund showed a reduction of \$1.1 million primarily due to the annual transfer to the Police and Fire Levy Fund to support the operations of the Police Department and to pay for the contracts for Fire and EMS services by the Village of Chagrin Falls. Also, the Property Improvement Fund declined by \$1.3 million due to transfers to the Service Facility Fund which was constructed without the issuance of any debt at a cost of \$3.0 million. The Waste Water Treatment Plant (WWTP) Expansion Fund also declined by \$0.6 million due to the installation of a Watermain on Farwood and Fircrest Lanes, and also a payment to the City of Pepper Pike for the Village's share of the conversion of the Creekside WWTP located in Pepper Pike. Additionally, there was a decrease of approximately \$0.2 million in the JQW Improvement Fund due to the improvements to convert the treatment plant to a pump station to decrease future maintenance costs. The other governmental funds remained steady and did not experience any significant increase or decrease in fund balances.

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2010  
 Unaudited  
 (Continued)

Table 2 reflects the changes in net assets during 2010 and also provides a comparative analysis of government-wide data.

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

	Governmental Activities	
	2010	2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$230,849	\$135,356
Operating Grants and Special Assessments	256,755	318,649
Capital Grants and Special Assessments	367,666	498,846
Total Program Receipts	<u>855,270</u>	<u>952,851</u>
General Receipts:		
Property Taxes	1,573,460	1,676,679
Income Taxes	2,513,869	2,983,535
Grants and Entitlements Not Restricted to Specific Programs	626,279	698,785
Interest	18,517	80,513
Miscellaneous	153,878	191,373
Proceeds from OPWC Loan	70,374	51,491
Total General Receipts	<u>4,956,377</u>	<u>5,682,376</u>
Total Receipts	<u>5,811,647</u>	<u>6,635,227</u>
Disbursements:		
General Government	1,440,889	1,412,225
Security of Persons and Property	1,784,139	1,817,584
Public Health Services	17,457	19,175
Community Environment	150,680	69,166
Basic Utility Services	1,315,963	1,426,949
Transportation	448,026	304,057
Capital Outlay	3,593,569	1,624,815
Principal Retirement	89,752	131,589
Interest and Fiscal Charges	43,523	50,852
Total Disbursements	<u>8,883,998</u>	<u>6,856,412</u>
Change in Net Assets	(3,072,351)	(221,185)
Net Assets, January 1	<u>11,767,951</u>	<u>11,989,136</u>
Net Assets, December 31	<u>\$8,695,600</u>	<u>\$11,767,951</u>

Program receipts represented 15 percent and 14 percent of total receipts during 2010 and 2009, respectively, showing that all program revenues remained relatively stable. Program receipts are primarily comprised of charges for services and special assessments against properties for maintenance and expansion of infrastructure and revenues from restricted intergovernmental receipts such as motor vehicle license and gas tax money and grants.

**Village of Moreland Hills**  
**Cuyahoga County**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2010  
 Unaudited  
 (Continued)

General receipts represent 85 percent and 86 percent of the Village's total receipts during 2010 and 2009, respectively. Of this amount in 2010, over 50 percent are local municipal income taxes and 31 percent are property taxes. Other receipts are less significant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, auditor, treasurer, and income tax collections, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of Persons and Property are the costs of police and fire protection; Public Health Services are county health department fees; Community Environment activities are the costs of maintaining the Village community activities; and Transportation is the cost of maintaining the roads and sewers.

**Governmental Activities**

The Statement of Activities on page 10 lists the major services provided by the Village in the first column. The next column identifies the costs of providing these services. The largest program disbursement for governmental activities is for capital outlay, which accounts for 40 percent of all governmental expenses during 2010. Security of persons and property, general government and basic utility services also represent significant disbursements accounting for 20 percent, 16 percent and 15 percent of total expenses, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compare the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
General Government	\$1,440,889	(\$1,289,826)	\$1,412,225	(\$1,365,613)
Security of Persons and Property	1,784,139	(1,727,573)	1,817,584	(1,763,090)
Public Health Services	17,457	(16,968)	19,175	(3,154)
Community Environment	150,680	(150,680)	69,166	(69,166)
Basic Utility Services	1,315,963	(1,043,218)	1,426,949	(1,157,448)
Transportation	448,026	(433,917)	304,057	(296,068)
Capital Outlay	3,593,569	(3,259,823)	1,624,815	(1,155,969)
Redemption of Principal	89,752	(63,200)	131,589	(42,201)
Interest and Fiscal Charges	43,523	(43,523)	50,852	(50,852)
<b>Total Expenses</b>	<b>\$8,883,998</b>	<b>(\$8,028,728)</b>	<b>\$6,856,412</b>	<b>(\$5,903,561)</b>

The dependence upon property and income tax receipts is apparent as over 70 percent of total receipts of governmental activities are supported through these general receipts.

**Village of Moreland Hills**  
**Cuyahoga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited  
(Continued)

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**The Village's Funds**

Total governmental funds had receipts of \$5,811,647 and disbursements of \$8,883,998. The largest change within governmental funds occurred in the Property Improvement Fund which decreased by \$1,318,000 primarily due to transfers to the Service Facility Fund which was created for the construction of a new Service Garage. The other significant reduction was in the General Fund of approximately \$1 million due to transfers to subsidize the Police and Fire Levy Fund.

**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 2010, the Village amended its General Fund budget several times to reflect changing circumstances. There was no change between final and original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$362,035. Final disbursements were budgeted at \$6,442,595 while actual disbursements were \$6,323,784 which includes year-end encumbrances. Actual receipts were less than budgeted, therefore disbursements were reduced from the final budgeted amounts. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Outstanding Debt**

At December 31, 2010, the Village's outstanding debt was \$1,066,768, comprising of Various Purpose and Street improvement bonds along with Ohio Public Works Commission Loans. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The Village continues to be among the area's wealthiest suburbs as reflected in high full value per capita and income measures well above the state and national averages. The Village's moderate tax base is expected to grow at historical rates of around 3 percent. The Village continues to strive for ways and means to make optimum utilization of available resources. Over the past few years the Village has joined consortiums and updated its bidding requirements to get the lowest and best process for all contracts issued and purchases made during the year. Based on prudent management and financially conservative budgeting practices, the Village's financial operations are expected to remain healthy.

**Contacting the Village's Financial Management**

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

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2010*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,695,600
<i>Total Assets</i>	\$8,695,600
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,438,221
Debt Service	236,553
Other Purposes	1,080,292
Unrestricted	4,940,534
<i>Total Net Assets</i>	\$8,695,600

See accompanying notes to the basic financial statements

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**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2010*

	General	Property Improvement	Waste Water Treatment Plant Expansion	Chagrin Blvd Slope Stabilization
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,940,534	\$38,578	\$952,176	\$330,013
<i>Total Assets</i>	<u>\$4,940,534</u>	<u>\$38,578</u>	<u>\$952,176</u>	<u>\$330,013</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$432,137	\$0	\$76,059	\$0
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	4,508,397	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	38,578	876,117	330,013
<i>Total Fund Balances</i>	<u>\$4,940,534</u>	<u>\$38,578</u>	<u>\$952,176</u>	<u>\$330,013</u>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

<u>JQW Improvement</u>	<u>Service Facility</u>	<u>Police &amp; Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$423,511	\$598,447	\$44,797	\$1,367,544	\$8,695,600
<u>\$423,511</u>	<u>\$598,447</u>	<u>\$44,797</u>	<u>\$1,367,544</u>	<u>\$8,695,600</u>
\$125,514	\$580,316	\$42,798	\$368,333	\$1,625,157
0	0	0	0	4,508,397
0	0	1,999	667,162	669,161
0	0	0	233,506	233,506
297,997	18,131	0	98,543	1,659,379
<u>\$423,511</u>	<u>\$598,447</u>	<u>\$44,797</u>	<u>\$1,367,544</u>	<u>\$8,695,600</u>

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
December 31, 2010*

	General	Property Improvement	Waste Water Treatment Plant Expansion	Chagrin Blvd Slope Stabilization	JQW Improvement
<b>Receipts</b>					
Municipal Income Taxes	\$2,513,869	\$0	\$0	\$0	\$0
Property and Other Local Taxes	811,478	0	0	0	0
Special Assessments	0	0	229,881	0	0
Charges for Services	3,193	0	0	0	0
Fines, Licenses and Permits	162,199	0	42,237	0	0
Intergovernmental	295,986	50,000	0	0	98,865
Interest	15,006	0	2,798	0	0
Miscellaneous	145,903	0	0	0	664
<i>Total Receipts</i>	<u>3,947,634</u>	<u>50,000</u>	<u>274,916</u>	<u>0</u>	<u>99,529</u>
<b>Disbursements</b>					
Current:					
General Government	1,440,625	0	0	0	0
Security of Persons and Property	0	0	0	0	0
Public Health Services	17,457	0	0	0	0
Community Environment	76,249	8,000	0	0	0
Basic Utility Services	994,569	0	0	0	0
Transportation	115,747	0	0	0	0
Capital Outlay	0	0	599,375	33,278	656,773
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
<i>Total Disbursements</i>	<u>2,644,647</u>	<u>8,000</u>	<u>599,375</u>	<u>33,278</u>	<u>656,773</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,302,987</u>	<u>42,000</u>	<u>(324,459)</u>	<u>(33,278)</u>	<u>(557,244)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from OPWC Loan	0	0	0	70,374	0
Transfers In	0	0	0	0	275,000
Transfers Out	(2,337,000)	(1,360,000)	(275,000)	0	0
Advances In	875,500	0	0	850,000	60,000
Advances Out	(910,000)	0	0	(875,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,371,500)</u>	<u>(1,360,000)</u>	<u>(275,000)</u>	<u>44,874</u>	<u>335,000</u>
<i>Net Change in Fund Balances</i>	<u>(1,068,513)</u>	<u>(1,318,000)</u>	<u>(599,459)</u>	<u>11,596</u>	<u>(222,244)</u>
<i>Fund Balances, Beginning of Year</i>	<u>6,009,047</u>	<u>1,356,578</u>	<u>1,551,635</u>	<u>318,417</u>	<u>645,755</u>
<i>Fund Balances, End of Year</i>	<u>\$4,940,534</u>	<u>\$38,578</u>	<u>\$952,176</u>	<u>\$330,013</u>	<u>\$423,511</u>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

Service Facility	Police and Fire Levy	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$0	\$2,513,869
0	617,818	144,164	1,573,460
0	0	256,755	486,636
0	0	9,111	12,304
0	0	14,109	218,545
5,000	87,473	226,740	764,064
0	0	713	18,517
0	7,261	50	153,878
<u>5,000</u>	<u>712,552</u>	<u>651,642</u>	<u>5,741,273</u>
0	0	264	1,440,889
0	1,602,439	181,700	1,784,139
0	0	0	17,457
0	0	66,431	150,680
0	0	321,394	1,315,963
0	0	332,279	448,026
2,294,286	7,872	1,985	3,593,569
0	0	89,752	89,752
0	0	43,523	43,523
<u>2,294,286</u>	<u>1,610,311</u>	<u>1,037,328</u>	<u>8,883,998</u>
<u>(2,289,286)</u>	<u>(897,759)</u>	<u>(385,686)</u>	<u>(3,142,725)</u>
0	0	0	70,374
2,325,000	1,050,000	434,000	4,084,000
0	(112,000)	0	(4,084,000)
0	0	0	1,785,500
0	0	0	(1,785,500)
<u>2,325,000</u>	<u>938,000</u>	<u>434,000</u>	<u>70,374</u>
35,714	40,241	48,314	(3,072,351)
<u>562,733</u>	<u>4,556</u>	<u>1,319,230</u>	<u>11,767,951</u>
<u>\$598,447</u>	<u>\$44,797</u>	<u>\$1,367,544</u>	<u>\$8,695,600</u>

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**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$2,800,000	\$2,800,000	\$2,513,869	(\$286,131)
Property and Other Local Taxes	820,713	820,713	811,478	(9,235)
Charges for Services	5,907	5,907	3,193	(2,714)
Fines, Licenses and Permits	121,100	121,100	162,199	41,099
Intergovernmental	34,457	34,457	295,986	261,529
Interest	25,000	25,000	15,006	(9,994)
Miscellaneous	242,492	242,492	145,903	(96,589)
<i>Total receipts</i>	4,049,669	4,049,669	3,947,634	(102,035)
<b>Disbursements</b>				
Current:				
General Government	1,529,711	1,812,211	1,784,671	27,540
Public Health Services	17,653	17,653	17,457	196
Community Environment	73,451	76,951	76,249	702
Basic Utility Services	1,394,246	1,096,245	1,063,052	33,193
Transportation	191,347	191,347	135,355	55,992
<i>Total Disbursements</i>	3,206,408	3,194,407	3,076,784	117,623
<i>Excess of Receipts Over (Under) Disbursements</i>	843,261	855,262	870,850	15,588
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,238,188)	(2,338,188)	(2,337,000)	1,188
Advances In	1,135,500	1,135,500	875,500	(260,000)
Advances Out	(910,000)	(910,000)	(910,000)	0
<i>Total Other Financing Sources (Uses)</i>	(2,012,688)	(2,112,688)	(2,371,500)	(258,812)
<i>Net Change in Fund Balance</i>	(1,169,427)	(1,257,426)	(1,500,650)	(243,224)
<i>Fund Balance, Beginning of Year</i>	5,749,221	5,749,221	5,749,221	0
Prior Year Encumbrances Appropriated	259,826	259,826	259,826	0
<i>Fund Balance, End of Year</i>	\$4,839,620	\$4,751,621	\$4,508,397	(\$243,224)

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Police and Fire Levy Fund*  
*December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$599,969	\$599,969	\$617,818	\$17,849
Intergovernmental	83,959	83,959	87,473	3,514
Miscellaneous	5,000	5,000	7,261	2,261
<i>Total receipts</i>	688,928	688,928	712,552	23,624
<b>Disbursements</b>				
Current:				
Security of Persons and Property	1,677,469	1,643,389	1,643,237	152
Capital Outlay	38,500	11,500	9,872	1,628
<i>Total Disbursements</i>	1,715,969	1,654,889	1,653,109	1,780
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,027,041)	(965,961)	(940,557)	21,844
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(120,000)	(112,000)	(112,000)	0
Transfers In	1,150,000	1,150,000	1,050,000	(100,000)
<i>Total Other Financing Sources (Uses)</i>	1,030,000	1,038,000	938,000	(100,000)
<i>Net Change in Fund Balance</i>	2,959	72,039	(2,557)	(78,156)
<i>Fund Balance, Beginning of Year</i>	636	636	636	0
Prior Year Encumbrances Appropriated	3,920	3,920	3,920	0
<i>Fund Balance, End of Year</i>	\$7,515	\$76,595	\$1,999	(\$78,156)

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2010*

	Agency
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$150,166
<b>Net Assets</b>	
Unrestricted	\$150,166

See accompanying notes to the basic financial statements

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**Note 1 – Reporting Entity**

The Village of Moreland Hills, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term.

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

**A. Primary Government**

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

**B. Component Units**

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

**C. Jointly Governed Organizations**

The Village participates in two jointly governed organizations. Note 13 to the financial statements provide additional information for these entities.

These organizations are:

Jointly Governed Organizations:

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

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

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

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

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

**Fund Financial Statements**

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

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)B. Fund Accounting

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

Governmental Funds

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

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

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

During 2010, the Village invested in Federal Government Agencies, an overnight sweep account, and STAR Ohio. All Village investments are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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

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 2010 amounted to \$15,006. Interest was also allocated to the Waste Water Treatment Plant Expansion Fund, the Street Construction Maintenance and Repair Fund, the Motor Vehicle License Fund, the State Highway Improvement Fund, and the Sewage Treatment Plant Fund in the amounts of \$2,798, \$243, \$262, \$51, and \$157, respectively, during 2010.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)M. Net Assets

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

N. Fund Balance Reserves

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

O. Interfund Transactions

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

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and the major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis), and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$432,137 for the General Fund and \$42,798 for the Police and Fire Levy major special revenue fund. The outstanding advances at year end amounted to \$910,000 for the General Fund.

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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

Village of Moreland Hills  
 Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2010  
 (Continued)

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$99,573 of the Village's bank balance of \$349,573 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

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

Investments

As of December 31, 2010, the Village had the following investments:

Investment Type	Carrying Value	Maturity
FHLB Notes	\$499,531	24 months
STAR Ohio	8,279,882	30 days
Total Portfolio	\$8,779,413	

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

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

*Concentration of Risk:* The Village places no limit on the amount that may be invested in any one issuer. The Village investments in FHLB and STAR Ohio represent 6% and 94% respectively.

Village of Moreland Hills  
 Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2010  
 (Continued)

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**Note 5 – Income Taxes**

The Village levies a one 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 property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2010 for real and public utility property taxes represent collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien on December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Single county taxpayers may pay annually or semiannually. If paid annually, the payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The effective tax rate for all Village operations for the year ended December 31, 2010, was \$69.80 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$229,120,540
Public Utility Property	1,717,430
Commercial Property	5,779,220
Total Assessed Values	\$236,617,190

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

Village of Moreland Hills  
 Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2010  
 (Continued)

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**Note 7 – Interfund Receivables/Payables**

Interfund balances at December 31, 2010, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Other Governmental Funds:

Chagrin Blvd Slope Stabilization Project Fund	\$850,000
JQW WWTP Aband & Improv Fund	<u>60,000</u>
 Total General Fund	 <u><u>\$910,000</u></u>

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

**Note 8 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the Village contracted for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Selective Insurance Company	Commercial Property	\$4,168,572
	General Liability	2,000,000
	Commercial Umbrella	10,000,000
	Vehicle	1,000,000
	Employee Benefits	2,000,000
	Public Officials	1,000,000
	Police Professional	1,000,000

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

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

The Village's employee health care is provided by Medical Mutual of Ohio. The Village pays a monthly premium for single and married coverage.

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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**Note 9 – Defined Benefit Pension Plans****A. Ohio Public Employees Retirement System**

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Village's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$97,630, \$82,349, and \$82,422, respectively; 100 percent has been contributed for 2010, 2009 and 2008. The Village made no contributions to the Member-Directed Plan for 2010.

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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

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

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers. The Village's contributions to OP&F for police pension were \$115,181, \$117,334 and \$100,363, for the years ended December 31, 2010, 2009 and 2008, respectively. The full amount has been contributed for 2010, 2009 and 2008.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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**Note 10 - Postemployment Benefits** (Continued)**A. Ohio Public Employees Retirement System** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$55,803, \$59,544, and \$82,422, respectively. The full amount has been contributed for 2010, 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

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

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

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

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

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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

**B. Ohio Police and Fire Pension Fund** (Continued)

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

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

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

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

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police for the years ended December 31, 2010, 2009 and 2008 were \$60,978, \$62,118, and \$66,197, respectively. The full amount has been contributed for 2010, 2009 and 2008.

**C. Social Security**

Some Council members have elected to contribute to Social Security. The contribution rate for 2010 was 6.2%.

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

**Note 11 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2010, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Debt Outstanding 1/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Principal 12/31/2010</u>	<u>Due Within One Year</u>
1998 General Obligation Bonds (Original Amount: \$1,425,000)	4.55 and 5.125%	\$805,000	\$0	\$75,000	\$730,000	\$75,000
2007 OPWC Loan (Original Amount: \$252,179)	1%	229,655	0	11,705	217,950	11,705
2009 OPWC Loan (Original Amount: \$121,865)	0%	51,491	70,374	3,047	118,818	6,094
<b>Total Governmental Activities</b>		<u>\$1,086,146</u>	<u>\$70,374</u>	<u>\$89,752</u>	<u>\$1,066,768</u>	<u>\$92,799</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 two loans through the Ohio Public Works Commission (OPWC). The first loan from 2007 relates to the Bentleyville Road water main replacement. The loan will be repaid in semiannual installments, including interest, over 20 years. The loan will be repaid from property tax receipts. The 2009 OPWC Loan relates to the Chagrin Boulevard Slope Stabilization. This loan will also be repaid in semiannual installments over 20 years, and will be repaid from property tax receipts. The 2009 OPWC Loan is free of interest.

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

<u>Year</u>	<u>G.O. Bonds</u>		<u>2007 OPWC Loan</u>		<u>2009 OPWC Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$75,000	\$37,412	\$11,823	\$2,150	\$6,093	\$0
2012	80,000	33,569	11,942	2,031	6,093	0
2013	85,000	29,470	12,062	1,912	6,093	0
2014	90,000	25,112	12,182	1,791	6,093	0
2015	95,000	20,500	12,304	1,669	6,093	0
2016-2020	305,000	31,519	63,397	6,468	30,466	0
2021-2025	0	0	66,640	3,226	30,466	0
2026-2030	0	0	27,600	346	27,421	0
<b>Totals</b>	<u>\$730,000</u>	<u>\$177,582</u>	<u>\$217,950</u>	<u>\$19,593</u>	<u>\$118,818</u>	<u>0</u>

Village of Moreland Hills  
 Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2010  
 (Continued)

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**Note 11 – Debt** (Continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2010, were an overall debt margin of \$24,351,358 and an unvoted debt margin of \$12,520,498.

**Note 12 – Interfund Transfers**

During 2010, the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$322,000
Police and Fire Levy Fund	1,050,000
Service Facility Fund	965,000
Total General Fund Transfers	2,337,000
Transfers from the Police and Fire Levy Fund to:	
Police Pension Fund	112,000
Transfers from the Property Improvement Fund to:	
Service Facility Fund	1,360,000
Transfers from the WWTP Expansion Fund to:	
JQW Improvement Fund	275,000
Total Transfers	\$4,084,000

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. The transfers from the Police and Fire Levy Fund to the Police Pension Fund were for police pension payments. The transfers from the Property Improvement Fund to the Service Facility Fund were for construction of the new service building in the Village. The transfer from the Waste Water Treatment Plant Expansion Fund to the JQW Improvement Fund was for the conversion of treatment plants into pump stations.

Village of Moreland Hills  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010  
(Continued)

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**Note 13 – Jointly Governed Organizations****Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2010. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**Valley Enforcement Regional Council of Governments**

The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (VEG), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2010 the Village paid \$7,000 to VERCOG.

**Note 14 – 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 2010, the Village paid \$292,260 to the Chagrin Valley Engineering, Ltd.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moreland Hills, Cuyahoga County, Ohio (the Village), as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

Village of Moreland Hills

Cuyahoga County

Independent Accountants' Report on Internal Control Over Financial Reporting

and on Compliance and Other Matters Required by *Government Auditing Standards*

Page 2

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 15, 2011.

We intend this report solely for the information and use of management, the audit committee, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 15, 2011



# Dave Yost • Auditor of State

VILLAGE OF MORELAND HILLS

CUYAHOGA COUNTY

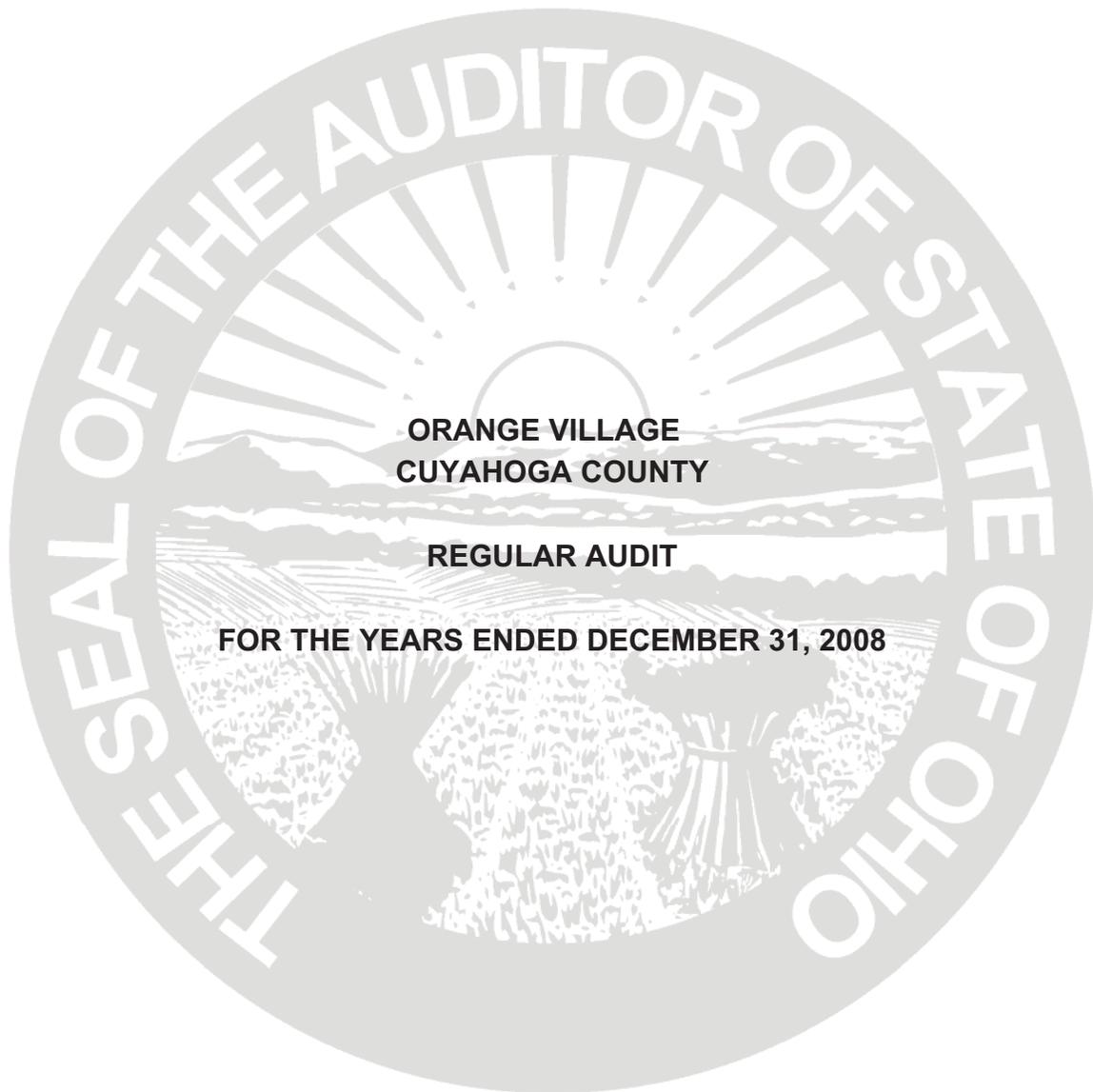
## CLERK'S CERTIFICATION

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  
SEPTEMBER 13, 2011



**Mary Taylor, CPA**  
Auditor of State



**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings .....	23

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**Mary Taylor, CPA**  
Auditor of State

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange Village, Ohio 44022

To the Members of Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

December 21, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange Village, Ohio 44022

To the Members of Village Council:

We have audited the accompanying financial statements of Orange Village, Cuyahoga, County, Ohio, (the Village) as of and for the year ended December 31, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2008 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008, or its changes in financial position for the year then ended.

Orange Village  
Cuyahoga County  
Independent Accountants' Report  
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Orange Village, Cuyahoga County, Ohio, as of December 31, 2008, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Mary Taylor, CPA**  
Auditor of State

December 21, 2009

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<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	\$950,271	\$51,825	\$0	\$650,510	\$1,652,606
Municipal Income Taxes	3,236,198	0	0	0	3,236,198
Special Assessments	0	2,697	595,512	0	598,209
Intergovernmental Receipts	263,828	160,358	0	138,588	562,774
Charges for Services	115,915	0	0	0	115,915
Fines, Licenses, and Permits	147,167	21,608	0	2,250	171,025
Earnings on Investments	149,529	1,416	0	0	150,945
Miscellaneous	29,093	0	0	0	29,093
<b>Total Cash Receipts</b>	<b>4,892,001</b>	<b>237,904</b>	<b>595,512</b>	<b>791,348</b>	<b>6,516,765</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	2,130,196	214,995	0	0	2,345,191
Community Environment	188,635	0	0	0	188,635
Basic Utility Services	194,727	0	0	0	194,727
Transportation	696,798	92,435	0	0	789,233
General Government	1,008,540	0	0	0	1,008,540
Debt Service:					
Principal and Interest Payments	0	0	938,280	0	938,280
Capital Outlay	66,113	19,795	0	1,161,857	1,247,765
<b>Total Cash Disbursements</b>	<b>4,285,009</b>	<b>327,225</b>	<b>938,280</b>	<b>1,161,857</b>	<b>6,712,371</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>606,992</b>	<b>(89,321)</b>	<b>(342,768)</b>	<b>(370,509)</b>	<b>(195,606)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	125,000	77,031	151,300	353,331
Transfers-Out	(276,300)	0	0	(68,557)	(344,857)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(276,300)</b>	<b>125,000</b>	<b>77,031</b>	<b>82,743</b>	<b>8,474</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	330,692	35,679	(265,737)	(287,766)	(187,132)
<b>Fund Cash Balances, January 1, 2008</b>	<b>2,372,748</b>	<b>502,531</b>	<b>1,300,967</b>	<b>1,580,557</b>	<b>5,756,803</b>
<b>Fund Cash Balances, December 31, 2008</b>	<b><u>\$2,703,440</u></b>	<b><u>\$538,210</u></b>	<b><u>\$1,035,230</u></b>	<b><u>\$1,292,791</u></b>	<b><u>\$5,569,671</u></b>

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

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	\$159,147
Total Non-Operating Cash Receipts	159,147
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	332,475
Total Non-Operating Cash Disbursements	332,475
Excess of Receipts Over/(Under) Disbursements Before Inter-fund Transfers and Advances	(173,328)
<b>Other Financing Disbursements:</b>	
Transfers-Out	(8,474)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(181,802)
<b>Fund Cash Balances, January 1, 2008</b>	<b>596,453</b>
<b>Fund Cash Balances, December 31, 2008</b>	<b>\$414,651</b>

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

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Orange Village, 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 Mayor and seven-member Council. The Village provides general governmental services, including police, fire, building inspection and recreation programs.

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

The Village participates in the following jointly governed organizations:

**Northeast Ohio Public Energy Council**

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

**Regional Council of Governments**

The Regional Council of Governments (RCOG) was formed to administer tax collection and enforcement concerns of municipalities. This group established the Regional Income Tax Agency (RITA) which serves as the income tax agency for numerous municipalities throughout the State of Ohio.

**Valley Enforcement Regional Council of Governments**

The Village is a member of the 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.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

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

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values U.S. Treasury Notes at cost. The Village invested in STAR Ohio (the State Treasurer's investment pool) which is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from 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 Pension Fund – This fund is used to account for property taxes and transfers from the General Fund which is used to pay police pension obligations.

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant Debt Service Fund:

Debt Service Fund - This fund receives special assessments and transfers-in to retire bond and note debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Fund:

Infrastructure Levy Fund – This fund is used to account for the construction and maintenance of Village roads, drainage and water.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

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

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds (Agency Funds)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Funds:

Contractor's Deposits Fund – This fund is used to account for the collection and distribution of contractor's deposits.

Mayor's Court Fund – This fund holds deposits which consist of traffic violations within the Village limits. A portion of these revenues are paid to the Village's General Fund and the remainder is remitted to the State of Ohio.

**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 and object level of control for all 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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Village does not encumber any transactions prior to entering into an obligation and instead uses the Then and Now certification process permitted by law.

A summary of 2008 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(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. The financial statements do not include a liability for unpaid leave.

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

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

	<u>2008</u>
Demand Deposits	<u>\$256,779</u>
Investments:	
U.S. Treasury Notes	688,775
Repurchase Agreement	3,431,000
STAR Ohio	<u>1,607,768</u>
Total Investments	<u>5,727,543</u>
Total Deposits and Investments	<u><u>\$5,984,322</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. The Village's financial institution transfers securities to the Village's agent to collateralized repurchase agreements and the securities are not in the Village's name. 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 ending 2008 follows:

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$4,561,604	\$4,892,001	\$330,397
Special Revenue	352,527	362,904	10,377
Debt Service	760,605	672,543	(88,062)
Capital Projects	1,852,391	942,648	(909,743)
Fiduciary	300,000	159,147	(140,853)
Total	<u><u>\$7,827,127</u></u>	<u><u>\$7,029,243</u></u>	<u><u>(\$797,884)</u></u>

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,570,579	\$4,561,309	\$9,270
Special Revenue	464,319	327,225	137,094
Debt Service	760,605	938,280	(177,675)
Capital Projects	2,291,096	1,230,414	1,060,682
Fiduciary	300,000	340,949	(40,949)
Total	<u>\$8,386,599</u>	<u>\$7,398,177</u>	<u>\$988,422</u>

Contrary to Ohio Revised Code § 5705.41(D), the Village did not certify the availability of funds from January through June 2008, and did not encumber for 2008, as required.

Contrary to Ohio Revised Code § 5705.41(B), the following funds had expenditures in excess of appropriations at December 31, 2008:

**General Fund:**

Transportation:

Service Department:

Personal Service	\$583,161	\$568,471	\$(14,690)
Other Expenses	113,637	100,175	(13,462)

Basic Utilities Services:

Refuse Collection and Disposal:

Other Expenses	194,727	190,000	(4,727)
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General Government:

Executive and Administrative:

Other Expenses	767,747	619,331	(148,416)
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Land and Building:

Other Expenses	202,569	119,300	(83,269)
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**Special Revenue Funds:**

**Police Professional Training:**

Other	1,904	0	(1,904)
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**Federal Law Enforcement:**

Other	21,467	4,000	(17,467)
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**State Law Enforcement:**

Other	1,082	100	(982)
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**Debt Service Funds:**

**Debt Service Fund:**

Other	938,280	760,605	(177,675)
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**Capital Projects Funds:**

**Infrastructure Levy:**

Other	883,684	785,000	(98,684)
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**Recreation Capital Improvement:**

Other	28,676	10,000	(18,676)
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**Capital Equipment:**

Other	295,852	238,915	(56,937)
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**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 2 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. The Village allows a 60% tax credit up to 1.5% of withholding taxes paid to another municipality. The tax also applies to the net income of businesses operating within the Village.

Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the Village on 1<sup>st</sup> and 15<sup>th</sup> of the following month. Income tax revenue is credited entirely to the General Fund.

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees, except the Village's firefighters hired after August 3, 1992, belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

Effective August 3, 1992, any new part-time Village firefighters are no longer covered by OPERS and must contribute to social security. The Village liability is 6.2 percent of wages paid.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**7. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall – Advanced Refunding GO Bonds	\$ 825,000	1.4% to 4.1%
General Obligation Bonds – Lander Watermain	345,000	4.8%
Orange Place South Extension Bonds	1,500,000	2.25% to 5.125%
Orange Place North Bonds	660,000	4% to 5.25%
OPWC Loan - Orange Place North	86,007	0%
OPWC Loan – Harvard Road	118,843	0%
OWDA Loan # 3266	950,618	6.41%
OWDA Loan # 3271	568,339	6.41%
Cuyahoga County – Chagrin Highlands	1,490,000	3% to 5.25%
Cuyahoga County – Miles Road	384,181	2% to 3.55%
Emery Road Improvement Bonds	<u>715,000</u>	4.65% to 5.5%
 Total	 <u>\$7,642,988</u>	

On October 23, 2003, the Village issued \$1,295,000 in general obligation bonds at interest rates varying from 1.4 percent to 5.5 percent. The proceeds of the general obligation bonds were used to refund \$1,135,000 of 1994 Village Hall Bonds. The bonds are being repaid in annual installments, including interest, over 10 years.

The General Obligation Bonds – Lander Watermain were issued in 1998 for \$525,000 and relate to water line improvements which are being repaid in semiannual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Orange Place South Extension Bonds were issued in 2004 for \$1,687,000 and were sold at a discount. The bonds were issued for the improvement of a portion of Orange Place through sidewalk installation and various landscape and streetscape improvements. The bonds are being repaid in semiannual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Orange Place North Bonds were issued in 2006 for \$705,000 for the purpose of improving a portion of Orange Place by repaving, widening and installing sidewalks, curbs, landscaping and streetscaping. The bonds are being repaid in annual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Ohio Public Works Commission (OPWC) loan was issued in 2005 for \$101,185. The loan is non-interest bearing and will be paid in semiannual installments over 20 years for the Orange Place North Reconstruction Project. The Village makes annual payments in the amount of \$ 5,059. The loan is being repaid through special assessments.

**ORANGE VILLAGE  
CUYAHOGA COUNTY****NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)****7. DEBT (Continued)**

The Ohio Public Works Commission (OPWC) loan was issued in 2002 for \$190,149. The loan is non-interest bearing and will be paid in semiannual installments over 20 years for the Harvard Road Improvement Project. The Village makes annual payments in the amount of \$9,507

Ohio Water Development Authority (OWDA) Loan #3266 was issued in 2005 for \$1,072,180 and relates to sewer and stormwater construction for the Chagrin Highlands Project that began in 2005. The loan is being repaid in semiannual installments, including interest, over 20 years. The loan is being repaid through special assessments

Ohio Water Development Authority (OWDA) Loan #3271 was issued in 2005 for \$641,016 and relates to waterline construction for the Chagrin Highlands Project that began in 2005. The loan is being repaid in semiannual installments, including interest, over 20 years. The loan is being repaid through special assessments

Cuyahoga County - Chagrin Highlands relates to an agreement entered into in 1999 between Cuyahoga County and the Village to construct the extension of Orange Place South to Harvard Road. The County issued \$1,711,000 of bonds in 2004 and the Village was required to issue special assessments on the benefiting properties to retire them. The bonds are being repaid in semiannual installments, including interest, over 20 years through special assessments.

Cuyahoga County – Miles Road relates to an agreement entered into in 1991 between Cuyahoga County and the Village to construct the Miles Road Sanitary Sewer Phase I project. The County issued \$2,430,000 of bonds in 1992 and the Village is obligated to pay its share (54.11%) of the principal and interest on the bonds. The remaining portion (45.89%) is being paid by the City of Solon. In 2003, the Village and Cuyahoga County amended their agreement, related to this project, allowing for the refunding of outstanding bonds through the issuance of \$1,500,000 of refunding bonds. The County issued these bonds in November 2003 in order to achieve present value debt service savings for both parties involved. The refunding bonds are being repaid in semiannual installments, including interest, over 9 years through tap-in fees, to the extent of collections.

The Emery Road Improvement Bonds were issued in 2007 for \$720,000 for the purpose of improving Emery Road by installing watermains and connections. The bonds are being repaid in annual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**7. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	Village Hall Advanced Refunding GO Bonds	GO Bonds Lander Watermain	Orange Place South Extension Bonds	Orange Place North Bonds
2009	\$155,235	\$36,732	\$126,935	\$62,035
2010	156,485	40,763	125,285	60,835
2011	157,130	39,550	128,415	59,635
2012	157,270	38,338	131,375	63,405
2013	156,950	37,125	128,938	61,935
2014-2018	156,150	264,770	756,250	305,485
2019-2023			695,050	300,650
2024-2028			136,662	63,150
Total	<u>\$939,220</u>	<u>\$457,278</u>	<u>\$2,228,910</u>	<u>977,130</u>

Year ending December 31:	OPWC Loan Orange Place North	OPWC Loan Harvard Road	OWDA Loan #3266	OWDA Loan # 3271
2009	\$5,059	\$9,507	\$95,869	\$57,317
2010	5,059	9,507	95,869	57,317
2011	5,059	9,507	95,869	57,317
2012	5,059	9,507	95,869	57,317
2013	5,059	9,507	95,869	57,317
2014-2018	25,297	47,540	479,346	286,583
2019-2023	25,297	23,769	479,346	286,583
2024-2028	10,118	0	95,869	57,317
Total	<u>\$86,007</u>	<u>\$118,844</u>	<u>\$1,533,906</u>	<u>\$917,068</u>

Year ending December 31:	Cuyahoga County Miles Road	Cuyahoga County Chagrin Highlands	Emery Road Improvement Bonds	Totals
2009	\$104,079	\$138,475	\$57,497	\$848,740
2010	104,301	136,525	56,567	848,513
2011	104,166	138,275	55,637	850,560
2012	103,657	134,775	59,707	856,279
2013	0	136,275	58,545	747,520
2014-2018	0	693,800	295,055	3,310,276
2019-2023	0	682,250	336,475	2,829,420
2024-2028	0	135,850	256,076	755,042
Total	<u>\$416,203</u>	<u>\$2,196,225</u>	<u>\$1,175,559</u>	<u>\$11,046,350</u>

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**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.

They also provide for health insurance, life insurance and dental coverage to full-time employees through a private carrier.

**9. JOINT ECONOMIC DEVELOPMENT ZONE AGREEMENT**

The Joint Economic Development Zone Agreement was entered into pursuant to Ohio Revised Code Section 715.49 between the City of Cleveland, City of Warrensville Heights and Orange Village. The City of Cleveland owns property currently situated in the City of Warrensville Heights and Orange Village and desires to develop the property to create job opportunities as well as tax and other revenue. Orange Village is responsible for constructing improvements and providing municipal services. The three municipalities have agreed to share in the zone agreement income tax revenues generated from this agreement. The City of Cleveland, the City of Warrensville Heights and Orange Village will receive 37.5%, 12.5% and 50% respectively of the income tax revenue. During the fiscal year 2008 \$280,655 of gross zone agreement income tax revenue was collected, of which \$142,004 represents Orange Village's portion.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange Village, Ohio 44022

To the Village Council

We have audited the financial statements of Orange Village, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2008, and have issued our report thereon dated December 21, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-003.

Orange Village  
Cuyahoga County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

### **Internal Control Over Financial Reporting (Continued)**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings numbers 2008-001 and 2008-003 are also 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 21, 2009

**ORANGE VILLAGE  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

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

<b>Finding Number</b>	<b>2008-001</b>
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**Failure to Encumber – Noncompliance and Material Weakness**

During 2008 fiscal year, the Village did not issue purchase orders for any expenditures. Before the Village issues a check for any purchase the department head approves the payment of the invoice, attesting to the receipt of the service or product. All purchases over \$25,000 are bid according to the Village ordinance. All expenditures are approved by the Village Council monthly. Beginning in June 2008, all purchases were certified by the Treasurer with the following statement attached to the monthly list of invoices provided to Council: "I hereby certify that at the time of making the contracts or orders for the expenditures provided for in the foregoing listing and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract was in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances." Therefore, for the first six months of 2008, the Village's method of certifying purchases did not comply with the compliance requirements the following two paragraphs describe. Also, without recording open purchase orders in the accounting system, the accounting system will not keep track of unencumbered balances available for further appropriation.

Ohio Rev. Code § 5705.41(D)(1) states that unless certification is attached to the contract or order involving the expenditure of money at the time such contract or order is made, the fiscal officer must furnish a certificate "stating that at the time of making such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances." Without such certification no contract or order shall be considered valid nor may a warrant in payment of amounts due upon such contract or order be drawn. Further, for expenditures of \$3,000 or greater, within thirty days of receipt of such certification the taxing authority must authorize by resolution or ordinance the drawing of a warrant in payment of amounts due upon such contract or order before payment may be made.

While Section 5705.41(D)(1) allows the Village to utilize the "then and now" certificates for legal compliance it is not adequate internal control since it does not occur prior to or at the time that the contract or order involving such expenditure was made. As a result, the Village cannot ensure the sufficiency of appropriations available to cover expenditures. This increases the likelihood of the Village over-expending its funds without timely detection by Village management.

We recommend the Village modify their procurement process to include the utilization of purchase orders for all expenditures and that they be certified by the Treasurer prior to or at the time that the contract or order is made.

**Village's Response**

As stated in this finding we are now in compliance with the legal requirement as we now utilize the "then and now" certificate. In order to further improve internal control we have established an encumbrance system and are using purchase orders as recommended by the Auditor of State.

**ORANGE VILLAGE  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

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

(Continued)

<b>Finding Number</b>	<b>2008-002</b>
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**Expenditures Exceeded Appropriations – Material Noncompliance Finding**

**Ohio Revised Code Section 5705.41(B)** prohibits a subdivision from expending money unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Village may not exceed appropriations at the legal level for all funds.

As reported in Note 3 to the financial statements, the following funds had expenditures in excess of appropriations at December 31, 2008:

<u>Fund/Account</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
<b>General Fund:</b>			
Transportation:			
Service Department:			
Personal Service	\$583,161	\$568,471	\$(14,690)
Other Expenses	113,637	100,175	(13,462)
Basic Utilities Services:			
Refuse Collection and Disposal:			
Other Expenses	194,727	190,000	(4,727)
General Government:			
Executive and Administrative:			
Other Expenses	767,747	619,331	(148,416)
Land and Building:			
Other Expenses	202,569	119,300	(83,269)
<b>Special Revenue Funds:</b>			
<b>Police Professional Training:</b>			
Other	1,904	0	(1,904)
<b>Federal Law Enforcement:</b>			
Other	21,467	4,000	(17,467)
<b>State Law Enforcement:</b>			
Other	1,082	100	(982)
<b>Debt Service Funds:</b>			
<b>Debt Service Fund:</b>			
Other	938,280	760,605	(177,675)
<b>Capital Projects Funds:</b>			
<b>Infrastructure Levy:</b>			
Other	883,684	785,000	(98,684)
<b>Recreation Capital Improvement:</b>			
Other	28,676	10,000	(18,676)
<b>Capital Equipment:</b>			
Other	295,852	238,915	(56,937)

**ORANGE VILLAGE  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

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

(Continued)

<b>Finding Number</b>	<b>2008-002</b>
-----------------------	-----------------

(Continued)

We recommend the Village verify that all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements. Furthermore, management should review their accounting system and determine if reports can be generated at the legal level of control adopted by Council.

**Village’s Response**

This finding should be eliminated in 2009 due to the implementation of an encumbrance accounting system. We have also obtained an Amended Appropriation Ordinance approved by Council as recommended by the Auditor of State. It is important to note that the Village has never exceeded its available resources.

<b>Finding Number</b>	<b>2008-003</b>
-----------------------	-----------------

**Estate Taxes Must be Credited to the General Fund – Material Noncompliance Finding – Material Weakness**

**Ohio Revised Code § 5731.48** requires generally that Village’s credit estate taxes in the general fund (effective June 29, 2004).

In 1984, the Village passed a resolution requiring all estate taxes be recorded in a capital improvement fund. This resolution is in conflict with Ohio Revised Code § 5731.48, effective June 29, 2004.

During 2008, the Village recorded estate taxes totaling \$79,812 in the Capital Improvement Fund - Capital Projects Fund Type, instead of the General Fund, as required. As a result, the estate taxes have been reclassified from the Capital Improvement Fund - Capital Projects Fund Type to the General Fund in the accompanying financial statements:

We recommend that estate taxes be recorded in the General Fund.

**Village’s Response**

Beginning in 2009, we began crediting Estate Taxes directly to the General Fund as required by ORC Section 5731.48.

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**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

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>
2007-001	The Village does not certify the availability of funds prior to entering into an obligation as required by Ohio Revised Code Section 5705.41(D)(1).	No	Repeated in 2008 in finding 2008-001
2007-002	Several funds had total fund expenditures in excess of total appropriations contrary to Ohio Revised Code Section 5705.41(B).	No	Repeated in 2008 in finding 2008-002.
2007-003	Transfers were made in amounts not authorized by Council contrary to Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.	Yes	
2007-004	Revenues levied to retire bonds must be paid into the debt service fund as required by Ohio Revised code Section 5705.09.	Yes	
2007-005	Estate taxes must be credited to the General Fund as required by Ohio Revised Code Section 5731.48.	No	Repeated in 2008 in finding 2008-003.





**Mary Taylor, CPA**  
Auditor of State

**ORANGE VILLAGE**  
**CUYAHOGA COUNTY**

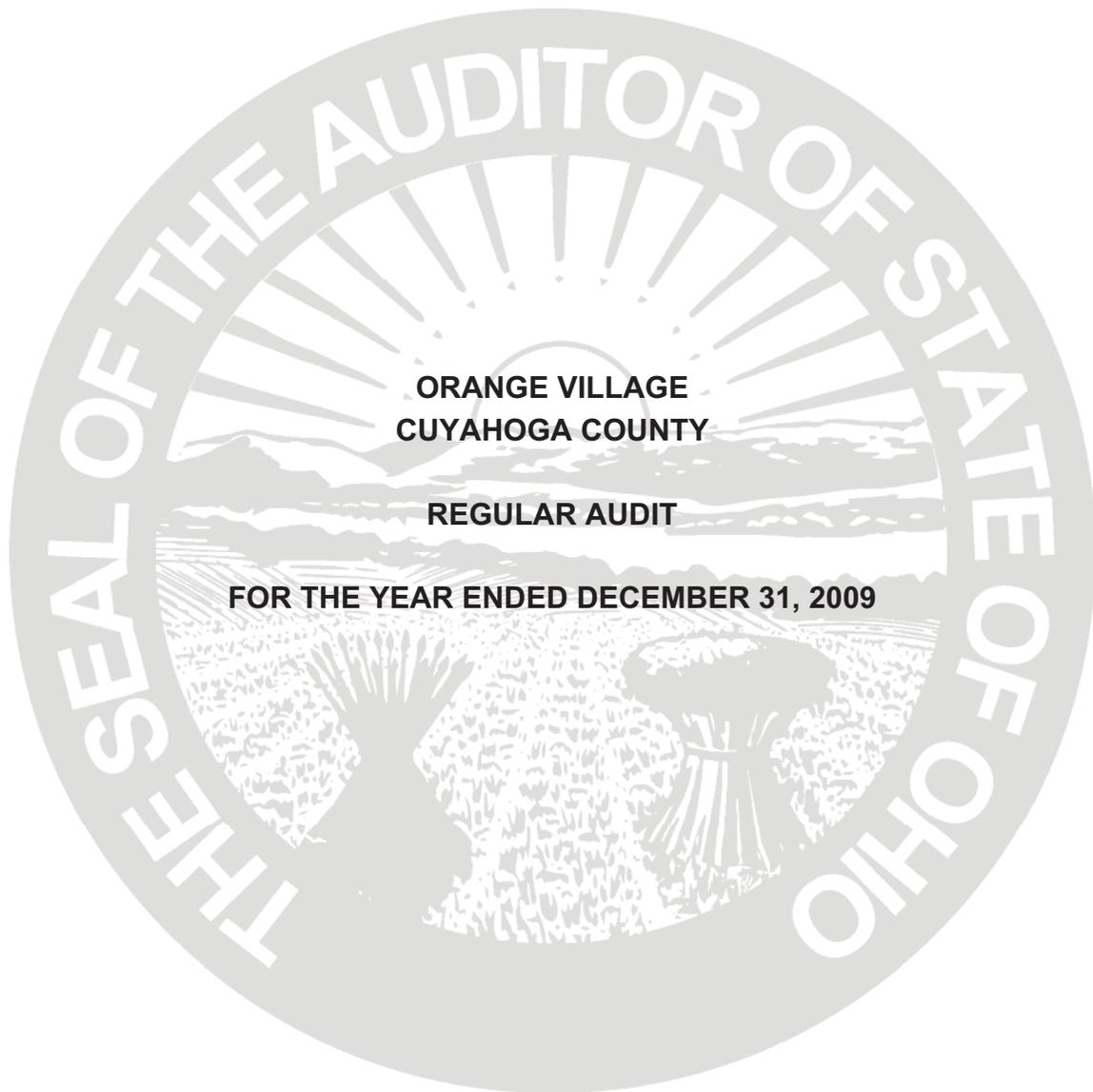
**CLERK'S CERTIFICATION**

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**  
**JANUARY 19, 2010**



**Mary Taylor, CPA**  
Auditor of State



**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Agency Fund Type - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings.....	20

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**Mary Taylor, CPA**  
Auditor of State

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange Village, Ohio 44022

To the Members of Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

November 9, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange Village, Ohio 44022

To the Members of Village Council:

We have audited the accompanying financial statements of Orange Village, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009, or its changes in financial position the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Orange Village, Cuyahoga County, Ohio, as of December 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Mary Taylor, CPA**  
Auditor of State

November 9, 2010

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<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	\$ 908,656	\$ 54,301		\$ 681,967	\$ 1,644,924
Municipal Income Taxes	3,177,765				3,177,765
Special Assessments		1,373	612,652		614,025
Intergovernmental Receipts	198,744	160,390		83,348	442,482
Charges for Services	175,503				175,503
Fines, Licenses, and Permits	192,282	42,551			234,833
Earnings on Investments	38,887	452			39,339
Miscellaneous	27,964				27,964
<b>Total Cash Receipts</b>	<u>4,719,801</u>	<u>259,067</u>	<u>612,652</u>	<u>765,315</u>	<u>6,356,835</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	2,228,509	207,757			2,436,266
Community Environment	199,884				199,884
Basic Utility Services	187,079				187,079
Transportation	670,236	74,735			744,971
General Government	1,125,560				1,125,560
Debt Service:					
Principal and Interest Payments			847,902		847,902
Capital Outlay		44,889		661,927	706,816
<b>Total Cash Disbursements</b>	<u>4,411,267</u>	<u>327,381</u>	<u>847,902</u>	<u>661,927</u>	<u>6,248,477</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>308,534</u>	<u>(68,314)</u>	<u>(235,250)</u>	<u>103,388</u>	<u>108,358</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		150,000	280,085	141,602	571,687
Transfers-Out	(317,263)			(254,424)	(571,687)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(317,263)</u>	<u>150,000</u>	<u>280,085</u>	<u>(112,822)</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(8,729)</u>	<u>81,686</u>	<u>44,835</u>	<u>(9,434)</u>	<u>108,358</u>
<b>Fund Cash Balances, January 1, 2009</b>	<u>2,703,440</u>	<u>538,210</u>	<u>1,035,230</u>	<u>1,292,791</u>	<u>5,569,671</u>
<b>Fund Cash Balances, December 31, 2009</b>	<u><b>\$ 2,694,711</b></u>	<u><b>\$ 619,896</b></u>	<u><b>\$ 1,080,065</b></u>	<u><b>\$ 1,283,357</b></u>	<u><b>\$ 5,678,029</b></u>

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

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	\$159,358
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	210,236
Excess of Receipts (Under) Disbursements	(50,878)
<b>Fund Cash Balances, January 1, 2009</b>	<b>414,651</b>
<b>Fund Cash Balances, December 31, 2009</b>	<b>\$363,773</b>

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

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Orange Village, 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 Mayor and seven-member Council. The Village provides general governmental services, including police, fire, building inspection and recreation programs.

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

The Village participates in the following jointly governed organizations:

**Northeast Ohio Public Energy Council**

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

**Regional Council of Governments**

The Regional Council of Governments (RCOG) was formed to administer tax collection and enforcement concerns of municipalities. This group established the Regional Income Tax Agency (RITA) which serves as the income tax agency for numerous municipalities throughout the State of Ohio.

**Valley Enforcement Regional Council of Governments**

The Village is a member of the 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.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

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

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values U.S. Treasury Notes and Repurchase Agreements at cost. The Village invested in STAR Ohio (the State Treasurer's investment pool) which is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from 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 Pension Fund – This fund is used to account for property taxes and transfers from the General Fund which is used to pay police pension obligations.

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant Debt Service Fund:

Debt Service Fund - This fund receives special assessments and transfers-in to retire bond and note debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Fund:

Infrastructure Levy Fund – This fund is used to account for the construction and maintenance of Village roads, drainage and water.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

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

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds (Agency Funds)**

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

Contractor's Deposits – This fund is used to account for the collection and distribution of contractor's deposits.

Mayor's Court Fund – This fund holds deposits which consist of traffic violations within the Village limits. A portion of these revenues are paid to the Village's General Fund and the remainder is remitted to the State of Ohio.

**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 and major object level of control for the general fund, and fund level of control for all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Village uses the encumbrance method of accounting. The Village has continued to use the Then and Now certification process.

A summary of 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(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. The financial statements do not include a liability for unpaid leave.

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

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

	2009
Demand Deposits	<u>\$3,201,288</u>
U.S. Treasury Notes	560,435
Repurchase Agreement	1,699,000
STAR Ohio	<u>581,079</u>
Total Investments	<u>2,840,514</u>
Total Deposits and Investments	<u><u>\$6,041,802</u></u>

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

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. 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 ending 2009 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,831,147	\$4,719,801	(\$111,346)
Special Revenue	397,942	409,067	11,125
Debt Service	957,272	892,737	(64,535)
Capital Projects	800,278	906,917	106,639
Agency	158,498	159,358	860
Total	<u><u>\$7,145,137</u></u>	<u><u>\$7,087,880</u></u>	<u><u>(\$57,257)</u></u>

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,615,692	\$4,728,530	(\$112,838)
Special Revenue	359,208	327,381	31,827
Debt Service	867,042	847,902	19,140
Capital Projects	922,733	916,351	6,382
Agency	214,407	210,236	4,171
Total	<u>\$6,979,082</u>	<u>\$7,030,400</u>	<u>(\$51,318)</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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 2 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. The Village allows a 60% tax credit up to 1.5% of withholding taxes paid to another municipality. The tax also applies to the net income of businesses operating within the Village.

Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the Village on 1<sup>st</sup> and 15<sup>th</sup> of the following month. Income tax revenue is credited entirely to the General Fund.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees, except the Village’s firefighters hired after August 3, 1992, belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans’ retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2009.

Effective August 3, 1992, any new part-time Village firefighters are no longer covered by OPERS and must contribute to social security. The Village liability is 6.2 percent of wages paid.

**7. DEBT**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall – Advanced Refunding GO Bonds	\$ 700,000	1.4% to 4.1%
General Obligation Bonds – Lander Watermain	325,000	4.8%
Orange Place South Extension Bonds	1,445,000	2.25% to 5.125%
Orange Place North Bonds	630,000	4% to 5.25%
OPWC Loan - Orange Place North	80,948	0%
OPWC Loan – Harvard Road	109,337	0%
OWDA Loan # 3266	915,124	6.41%
OWDA Loan # 3271	547,118	6.41%
Cuyahoga County – Chagrin Highlands	1,425,000	3% to 5.25%
Cuyahoga County – Miles Road	292,194	2% to 3.55%
Emery Road Improvement Bonds	<u>695,000</u>	4.65% to 5.5%
 Total	 <u>\$7,164,721</u>	

On October 23, 2003, the Village issued \$1,295,000 in general obligation bonds at interest rates varying from 1.4 percent to 5.5 percent. The proceeds of the general obligation bonds were used to refund \$1,135,000 of 1994 Village Hall Bonds. The bonds are being repaid in annual installments, including interest, over 10 years.

The General Obligation Bonds – Lander Watermain were issued in 1998 for \$525,000 and relate to water line improvements which are being repaid in semiannual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Orange Place South Extension Bonds were issued in 2004 for \$1,687,000 and were sold at a discount. The bonds were issued for the improvement of a portion of Orange Place through sidewalk installation and various landscape and streetscape improvements. The bonds are being repaid in semiannual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

**ORANGE VILLAGE  
CUYAHOGA COUNTY****NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)****7. DEBT (Continued)**

The Orange Place North Bonds were issued in 2006 for \$705,000 for the purpose of improving a portion of Orange Place by repaving, widening and installing sidewalks, curbs, landscaping and streetscaping. The bonds are being repaid in annual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Ohio Public Works Commission (OPWC) loan – Orange Place North – was issued in 2005 for \$101,185. The loan is non-interest bearing and will be paid in semiannual installments over 20 years for the Orange Place North Reconstruction Project. The Village makes annual payments in the amount of \$ 5,059. The loan is being repaid through special assessments.

The OPWC loan – Harvard Road – was issued in 2002 for \$190,149. The loan is non-interest bearing and will be paid in semiannual installments over 20 years for the Harvard Road Improvement Project. The Village makes annual payments in the amount of \$9,507.

Ohio Water Development Authority (OWDA) Loan #3266 was issued in 2005 for \$1,072,180 and relates to sewer and stormwater construction for the Chagrin Highlands Project that began in 2005. The loan is being repaid in semiannual installments, including interest, over 20 years. The loan is being repaid through special assessments.

OWDA Loan #3271 was issued in 2005 for \$641,016 and relates to waterline construction for the Chagrin Highlands Project that began in 2005. The loan is being repaid in semiannual installments, including interest, over 20 years. The loan is being repaid through special assessments.

Cuyahoga County – Chagrin Highlands relates to an agreement entered into in 1999 between Cuyahoga County and the Village to construct the extension of Orange Place South to Harvard Road. The County issued \$1,711,000 of bonds in 2004 and the Village was required to issue special assessments on the benefiting properties to retire them. The bonds are being repaid in semiannual installments, including interest, over 20 years through special assessments.

Cuyahoga County – Miles Road relates to an agreement entered into in 1991 between Cuyahoga County and the Village to construct the Miles Road Sanitary Sewer Phase I project. The County issued \$2,430,000 of bonds in 1992 and the Village is obligated to pay its share (54.11%) of the principal and interest on the bonds. The remaining portion (45.89%) is being paid by the City of Solon. In 2003, the Village and Cuyahoga County amended their agreement, related to this project, allowing for the refunding of outstanding bonds through the issuance of \$1,500,000 of refunding bonds. The County issued these bonds in November 2003 in order to achieve present value debt service savings for both parties involved. The refunding bonds are being repaid in semiannual installments, including interest, over 9 years through tap-in fees, to the extent of collections.

The Emery Road Improvement Bonds were issued in 2007 for \$720,000 for the purpose of improving Emery Road by installing watermains and connections. The bonds are being repaid in annual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**7. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Village Hall Refunding Bonds</u>	<u>Lander Watermain</u>	<u>Orange Place South Extension Bonds</u>	<u>Orange Place North Bonds</u>
2010	\$156,485	\$40,763	\$125,285	\$60,835
2011	157,130	39,550	128,415	59,635
2012	157,270	38,338	131,375	63,405
2013	156,950	37,125	128,938	61,935
2014	156,150	40,913	161,500	60,430
2015-2019		223,857	730,625	306,068
2020-2024			695,837	302,787
2025-2029				
Total	<u>\$783,985</u>	<u>\$420,546</u>	<u>\$2,101,975</u>	<u>\$915,095</u>

<u>Year ending December 31:</u>	<u>OPWC Loan- Orange Place North</u>	<u>OPWC Loan - Harvard Rd.</u>	<u>OWDA Loan #3266</u>	<u>OWDA Loan # 3271</u>
2010	\$5,059	\$9,507	\$95,869	\$57,317
2011	5,059	9,507	95,869	57,317
2012	5,059	9,507	95,869	57,317
2013	5,059	9,507	95,869	57,317
2014	5,059	9,507	95,869	57,317
2015-2019	25,297	47,540	479,346	286,583
2020-2024	25,297	14,262	479,346	286,583
2025-2029	5,059			
Total	<u>\$80,948</u>	<u>\$109,337</u>	<u>\$1,438,037</u>	<u>\$859,751</u>

<u>Year ending December 31:</u>	<u>Cuyahoga County - Miles Road</u>	<u>Cuyahoga County - Chagrin Highlands</u>	<u>Emery Road Improvement</u>	<u>Totals</u>
2010	\$104,301	\$136,525	\$56,567	\$848,513
2011	104,166	138,275	55,637	850,560
2012	103,657	134,775	59,707	856,279
2013		136,275	58,545	747,520
2014		137,525	57,383	781,653
2015-2019		690,375	307,973	3,097,664
2020-2024		684,000	333,550	2,821,662
2025-2029			188,700	193,759
Total	<u>\$312,124</u>	<u>\$2,057,750</u>	<u>\$1,118,062</u>	<u>\$10,197,610</u>

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**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.

They also provide for health insurance, life insurance and dental coverage to full-time employees through a private carrier.

**9. JOINT ECONOMIC DEVELOPMENT ZONE AGREEMENT**

The Joint Economic Development Zone Agreement was entered into pursuant to Ohio Revised Code Section 715.49 between the City of Cleveland, City of Warrensville Heights and Orange Village. The City of Cleveland owns property currently situated in the City of Warrensville Heights and Orange Village and desires to develop the property to create job opportunities as well as tax and other revenue. Orange Village is responsible for constructing improvements and providing municipal services. The three municipalities have agreed to share in the zone agreement income tax revenues generated from this agreement. The City of Cleveland, the City of Warrensville Heights and Orange Village will receive 37.5%, 12.5% and 50% respectively of the income tax revenue. During the fiscal year 2009, \$410,859 of gross zone agreement income tax revenue was collected, of which \$222,784 represents Orange Village's portion.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange Village, Ohio 44022

To the Members of Village Council:

We have audited the financial statements of Orange Village, Cuyahoga County, (the Village) as of and for the year ended December 31, 2009, and have issued our report thereon dated November 9, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 9, 2010.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 9, 2010

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009**

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

**FINDING NUMBER 2009-001**

**Material Weakness**

**Financial Reporting**

Sound financial reporting is the responsibility of the management and Village Council 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 were made to the financial statements and, where applicable, to the Village's accounting records for 2009:

- The Village improperly recorded Homestead and Rollback receipts into the General Fund that should have been posted to the Infrastructure Fund and Police Pension Fund in the amounts of \$81,848 and \$6,461, respectively.
- The Village failed to properly record transfers that were approved by Council in their accounting system. This caused transfers-in to be understated in the Infrastructure Fund and Debt Service Fund by \$1,602 and \$84,298, respectively, and caused transfers-out to be understated in the General Fund and Infrastructure Fund by \$1,602 and \$84,298, respectively.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village review the Ohio Village Manual for guidance in the reporting of financial activity and improve their policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year.

**Officials' Response:** The Village makes note of the above referenced material weakness, and has already or is in the process of making the necessary adjustments to remedy the aforementioned weaknesses.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009**

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>
2008-001	The Village does not certify the availability of funds prior to entering into an obligation as required by Ohio Revised Code Section 5705.41(D)(1).	No	Partially Corrected – Repeated in 2009 Management Letter
2008-002	Several funds had total fund expenditures in excess of total appropriations contrary to Ohio Revised Code Section 5705.41(B).	No	Partially Corrected – Repeated in 2009 Management Letter
2008-003	Estate taxes must be credited to the General Fund as required by Ohio Revised Code Section 5731.48.	Yes	



**Mary Taylor, CPA**  
Auditor of State

**ORANGE VILLAGE**

**CUYAHOGA COUNTY**

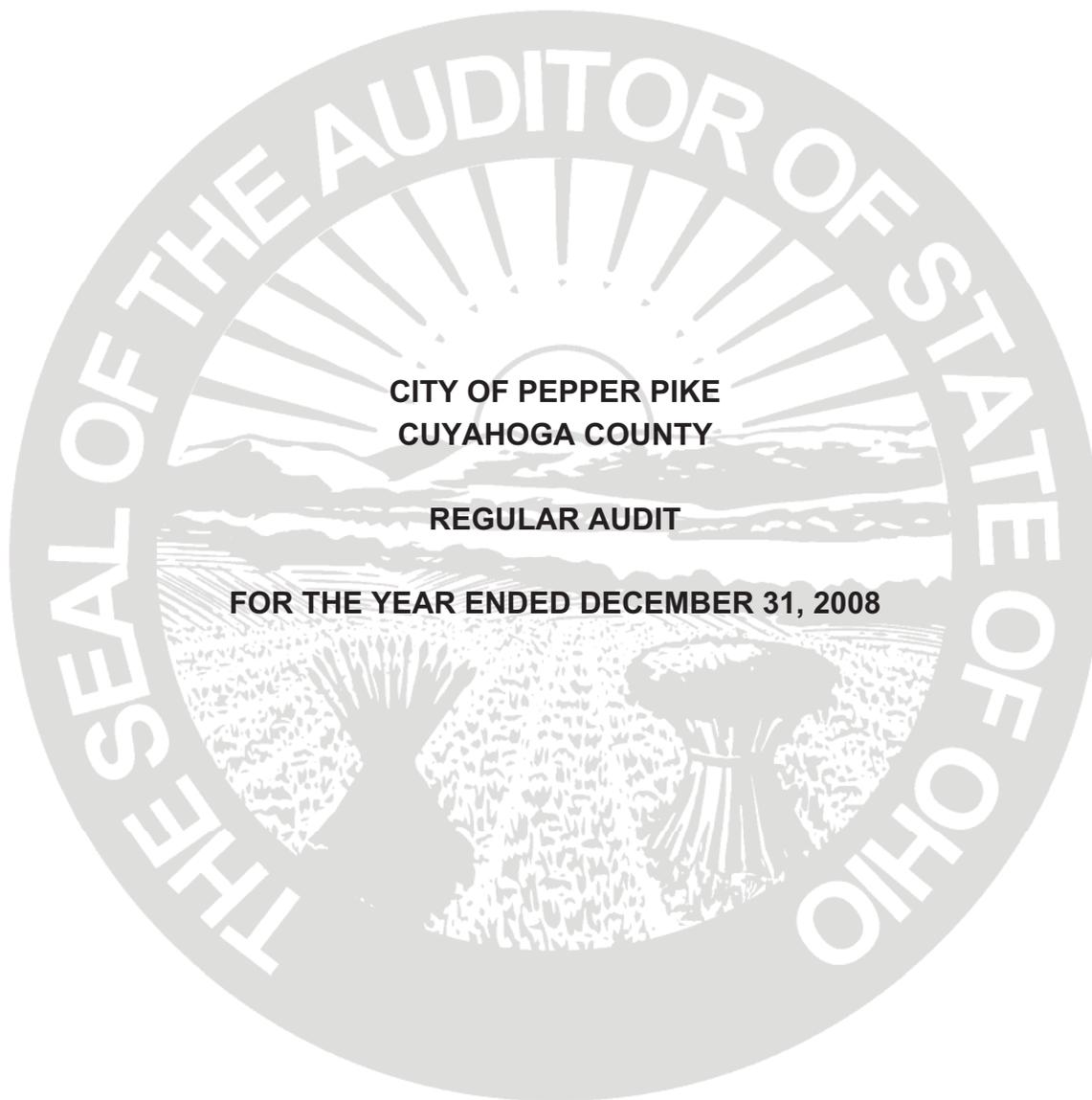
**CLERK'S CERTIFICATION**

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  
DECEMBER 21, 2010**



**Mary Taylor, CPA**  
Auditor of State



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Fire Levy Fund	22
Statement of Fiduciary Assets and Liabilities - Agency Funds	23
Notes to the Basic Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, Ohio, as of December 31, 2008 and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Fire Levy funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 7, 2009

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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The discussion and analysis of the City of Pepper Pike's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and the notes thereof.

### **Financial Highlights**

Key financial highlights for 2008 are as follows:

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$15.4 million. Of this amount, \$1.8 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets decreased by \$3.4 million, which represents a decrease of approximately 9.7 percent from 2007. The major factors contributing to this decrease is a reduction in intergovernmental receivables by \$0.7 million and property and income taxes receivable by \$0.2 million.
- ◆ Total liabilities did not have any change compared to 2007. Most current liabilities remained consistent with the previous year except notes payable which decreased by \$1.5 million and contracts payable which increased by \$1 million. Long-term liabilities increased by \$0.5 million compared to 2007.
- ◆ In total, net assets in governmental activities decreased by \$3.4 million during 2008. This represents a 18.1 percent decrease from 2007.

### **Using this Annual Financial Report**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### ***Government-wide financial statements – Reporting the City of Pepper Pike as a Whole***

##### *Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

***Fund Financial Statements - Reporting the City of Pepper Pike's Most Significant Funds***

*Fund Financial Statements*

The analysis of the City's major funds begins on page 17. Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds for the 2008 fiscal year are the General fund, Fire Levy fund and the Northwest Quadrant fund.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Pepper Pike's own programs.

**Government-wide Financial Analysis - City of Pepper Pike as a Whole**

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net assets for 2008 as compared to 2007.

Table 1  
 Net Assets  
 (In Millions)

	Governmental Activities		
	2008	2007	Change
<b>Assets</b>			
Current and Other Assets	\$12.6	\$15.8	(\$3.2)
Capital Assets, Net	19.2	19.4	(0.2)
<i>Total Assets</i>	\$31.8	\$35.2	(\$3.4)

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

Table 1  
 Net Assets (Continued)  
 (In Millions)

	Governmental Activities		
	2008	2007	Change
<b>Liabilities</b>			
Current Liabilities and Other Liabilities	\$9.1	\$9.6	(\$0.5)
Long-term Liabilities			
Due Within One Year	0.6	0.8	(0.2)
Due In More Than One Year	6.7	6.0	0.7
<i>Total Liabilities</i>	<u>16.4</u>	<u>16.4</u>	<u>0.0</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	11.2	12.2	(1.0)
Restricted for:			
Capital Projects	1.7	0.2	1.5
Debt Service	0.1	0.1	0.0
Other Purpose	0.6	0.6	0.0
Unrestricted	1.8	5.7	(3.9)
<i>Total Net Assets</i>	<u>\$15.4</u>	<u>\$18.8</u>	<u>(\$3.4)</u>

Total assets decreased by \$3.4 million during 2008 to end at \$31.8 million as compared to \$35.2 million at the end of 2007. The primary factor was a decrease in equity in pooled cash and cash equivalents of \$2.3 million. There was also a reduction of \$0.7 million in intergovernmental receivables and another \$0.2 million in property taxes receivable and income taxes receivable.

The City has stepped up its concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. The interest rates had started a downward trend at the end of 2007 and continue to do so for most of the year during 2008. Interest revenue decreased by approximately \$341,000 during 2008 compared to 2007. Due to the interest rates in the past two years, the investments have shifted from short term CD's and government notes and bills to longer term federal government agency issues. Even though the State code allows for investments with maturities of five years or less, the City has generally refrained from locking in investments with maturities that are beyond two and a half years due to the volatility in the market. During 2008, declining interest rates are the trend and the City has budgeted accordingly.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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Also, the City continues to work in the direction of reducing its current liabilities and expenditures by stabilizing short and long-term liabilities. As an example, the City continued to use the consortium formed during 2000 by joining hands with nine surrounding communities for the purchase of road salt and other supplies during 2008. As a result of joining the consortium the City has saved approximately \$250,000 since inception, due to the power of volume purchasing afforded by the nine communities jointly bidding. To further reduce expenditures on salt the City implemented a salt brine program which effectively reduces the salt usage by as much as 10-15 percent by mixing it with a pre-wetting solution. The City also purchased a revolutionary salt-brine spreading system which is anticipated to save an additional thirty to forty percent in salt expenses by spreading salt diagonally away from the curb and only onto the street. The City has taken the lead in utilizing the power of pooling resources within the Chagrin Valley communities by promoting sharing of heavy equipment and machinery. For example, if one of the communities in the Chagrin Valley needs a front end loader for a specific project it would borrow that piece of equipment from a neighboring community and reciprocate by allowing the lending community to borrow one of its pieces of equipment when needed.

Another tool used by the City to reduce its long term liability is to pay off accumulated sick leave for employees who have a balance in excess of 960 hours of sick time remaining in their account at the end of each year. This excess is paid off at the rate of 1 hour for every two hours in excess of the 960 hours. This allows the City to buy back accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement of the employee. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to a future date.

The City has also been a part of the Ohio Municipal League Group Rating Plan (OML) for workers' compensation which has helped save over one hundred thousand dollars each year in premiums. During 2007, the City was informed that for 2008 they would not be invited into the pool due to the claims experience which temporarily increased the amount of premium paid to the Ohio Bureau of Workers' Compensation. To offset this increase the City joined a local Safety Council which reduces the annual premium by 2.0 percent. In addition, the Ten-step business plan was implemented to further reduce the premiums by 5.0 percent. The various departments within the City have established safety committees to meet the Bureau's guidelines and provide the employees with safety equipment to enable them to perform their tasks efficiently and also, as much as possible, to help keep the City premises an injury free work place. Random drug testing policy for employees with CDL licenses also affords an added measure of achieving this goal. A transitional work program has also been implemented to prevent any lost time claims from the Ohio Bureau of Workers' Compensation. These specific actions on the part of the City have managed to reduce the claims as well as virtually eliminating the lost time claims resulting in the City being invited back to a group rating program in year 2009. In addition the City has instituted the Drug Free Work Place program which is estimated to provide an additional 5 percent relief in premiums for the year 2009. These actions are expected to save the City approximately \$115,000 in premiums.

The City's Service Department continued its cost saving measures during the year. With the help of an aggressive recycling campaign approximately 5,025 tons of recycled material and donated material were diverted from the landfill thus saving about \$182,000 in disposal costs. The City was one of the top three recyclers in the County during 2007 and continued this trend in 2008. In 2007, a Shred-It program was instituted whereby on a quarterly basis on a pre-selected date residents can come to the Service Department with up to four boxes of personal and confidential paperwork that they wish to have shredded at no cost to them. This also benefits the City by diverting additional material from landfills. Almost 15.76 tons of papers were shredded using this service. The City also received a Recycle Ohio Grant for the fourth consecutive year in the amount of \$3,800 for subsidizing public awareness for recycling through distribution of

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

educational materials and newsletters. The City Service Department was named a Tree City USA for the seventh consecutive year. The City Service Department also continued its residential mixed recycling program which entails picking up recyclable material at the residences as opposed to having the residents drop off the material at the service garage. This was a big success and will be continued during 2009 which will ensure additional savings by having even more material being diverted from the landfill. The City expended \$40,000 to create an experimental Bio-retention swale at two locations to filter polluted storm surface waters through various natural soils and plant roots to break down harmful chemicals. The City received a grant of \$24,000 from Chagrin River Watershed Partners, which was 60 percent of the total cost. Also, instead of contracting street sweeping of City streets to private contractors at an annual cost of \$6,000, the service department purchased a used street sweeper for \$5,000 during 2001 and has been using the equipment for the past seven years resulting in additional savings. The Department also purchased three swap loaders which can convert a salt bed to a dump bed in minutes. This affords efficiencies in capital and maintenance costs since instead of two truck chassis the City only needs to purchase one. The Service Department also continues to do repairs and renovation by using the in-house crew as opposed to hiring contractors which ensures maximizing the use of available resources.

Table 2 shows the changes in net assets for fiscal year 2008 and corresponds to the Statement of Activities on page 16. Since the City has prepared the statements following the GASB 34 format in the prior year, revenue and expense comparisons can be made between the years 2008 and 2007.

Table 2  
 Changes in Net Assets  
 (In Millions)

	<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
<b>Program Revenues</b>			
Charges for Services	\$0.5	\$0.5	\$0.0
Operating Grants and Contributions	0.5	0.3	0.2
Capital Grants and Assessments	0.6	0.1	0.5
<i>Total Program Revenues</i>	<u>\$1.6</u>	<u>\$0.9</u>	<u>\$0.7</u>
<b>General Revenues</b>			
Property Taxes	\$3.0	\$3.4	(\$0.4)
Income Taxes	4.2	4.2	0.0
Estate Taxes	2.0	2.6	(0.6)
Admissions Tax	0.3	0.2	0.1
Grants and Entitlements	0.4	0.6	(0.2)
Investment Earnings	0.3	0.7	(0.4)
Other	0.2	0.1	0.1
<i>Total General Revenues</i>	<u>10.4</u>	<u>11.8</u>	<u>(1.4)</u>
<i>Total Revenues</i>	<u>\$12.0</u>	<u>\$12.7</u>	<u>(\$0.7)</u>

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

Table 2  
 Changes in Net Assets (Continued)  
 (In Millions)

	Governmental Activities		
	2008	2007	Change
<b>Program Expenses</b>			
General Government	\$1.3	\$1.7	\$0.4
Security of Persons and Property	6.4	5.6	(0.8)
Transportation	4.6	3.9	(0.7)
Community Environment	0.3	0.3	0.0
Basic Utility Services	2.4	1.7	(0.7)
Interest and Fiscal Charges	0.4	0.5	0.1
<i>Total Program Expenses</i>	<u>15.4</u>	<u>13.7</u>	<u>(1.7)</u>
<i>Change in Net Assets</i>	(3.4)	(1.0)	(2.4)
Net Assets Beginning of Year	<u>18.8</u>	<u>19.8</u>	<u>(1.0)</u>
Net Assets End of Year	<u><u>\$15.4</u></u>	<u><u>\$18.8</u></u>	<u><u>(\$3.4)</u></u>

*Governmental Activities*

Several revenue sources fund governmental activities with the City's income tax being the largest contributor. The City's income tax rate is one percent on gross income and has not changed since 1971 when the tax was originally instituted. Residents of the City who work in another community and pay the withholding tax for that community receive a fifty percent tax credit on their City tax for Pepper Pike, the credit limit being one percent. For 2008 the revenues generated from this tax amounted to \$4.2 million. The City continues to enforce the delinquent letter program and the subpoena program to ensure compliance with the local tax laws. The City also conducts joint efforts with the Regional Income Tax Agency (RITA), the City's income tax collection agency, in tracking new taxpayers, especially contractors performing short term projects within the City. Property tax revenues come in a close second generating \$3.0 million in revenues for the year 2008. The median home sale price in the City per Cleveland Magazine in 2008 was \$455,000. During 2008, the City received \$2.0 million from estate taxes. Recent changes in State law now provide a higher percentage of revenue to the individual communities at the same time lowering the State's share. The State also changed the amount of estates exempt from the tax to \$338,333 effective January 1, 2002.

Security of persons and property and transportation are the major activities of the City accounting for 71.2 percent of the governmental expenses. Currently, there are twenty full-time sworn officers in the Police Department. During 2006, the City was ranked as the number one community amongst sixty-six communities by an annual study conducted by Cleveland Magazine. The Department continued its strong emphasis on the training of its personnel to maintain their proficiency and to keep up with the rapidly changing laws, practices and technology. The Department established a Citizen's Police Academy for the residents, which is a ten-week course to provide them with a comprehensive insight into various daily tasks and operations performed by the department. All cruisers are equipped with a mobile data terminal and an in-car video camera system which can record video and audio of traffic stops, prisoner transports and crime scene information. This could help the City in defending frivolous law suits that may arise from these situations. The Police Department purchased an inexpensive video conferencing system that allows a prisoner to be arraigned remotely by the Municipal Court Judge in lieu of being transported to court by an

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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officer thus saving valuable time and money. The Police Department in conjunction with the local school board started a School Resource Officer Program allowing a permanently placed officer to interdict problems or issues involving students before they become criminal matters. In 2000, the jail was converted to a three-day holding facility to reduce the costs of operations of a full-fledged jail and the liabilities associated with running such a facility. Also, the Reverse 911 system installed at a total cost of \$41,767 during 2002 has been used to make routine and emergency telephone calls to all residences within the City and will also be able to provide daily check-up phone calls to homebound seniors to ensure their safety and well being. The court-sanctioned self-supporting juvenile diversion program which was put in effect in June 1999 continues to be a success. Other programs that the Police Department participated in and which has a regional impact are the Valley Enforcement Group which for the annual cost of \$4,000 per community is able to provide a centralized SWAT team, an Accident Investigation Unit, and a Child Abduction Response Team. The City also participated in the Internet Crimes Against Children Task Force with the Cuyahoga County Task Force. The Police Department generated approximately \$65,293 in revenues from enforcement of traffic and other local laws that went through the Shaker Municipal Court system.

The Fire Department consists of twelve full-time and seventeen part-time fire fighters. All but one of these fire fighters are fully trained paramedics. Again, training plays a crucial role in the day to day operation of the Fire Department. Techniques such as driving rodeos, live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the men updated to perform their jobs more efficiently. The Department handled 923 calls for assistance with an average response time of 5 minutes and 42 seconds. Of these, 467 calls were for EMS and 456 for fire related incidents. The total overtime expense during 2008 was \$295,237 as compared to \$270,786 in 2007 and \$281,328 during 2006. During the 2009 May special elections the City placed a 4 mill replacement levy on the ballot and was overwhelmingly approved by the residents for the operation and upkeep of the Fire and EMS departments. The levy is generating approximately \$1.6 million in property taxes, which is \$200,000 more than the expiring levy. The total cost of operating the Fire and EMS departments during 2008 was \$2.1 million with the general fund subsidizing the difference of \$0.4 million between the revenues generated by the property taxes and the actual expenses.

The City's Building Department, since getting certified in 2007, has generated additional revenues from inspection of commercial establishments. The total revenues generated, including deposits, increased from \$159,000 in 2005 to \$230,827 during 2008. The Department issued 22 permits during 2008 for new buildings and remodeling jobs for commercial buildings at a total valuation of \$2,270,919 and 15 permits for new residential homes valued at \$6,605,898. Current construction projects include a previously wooded property of approximately 118 acres which is being converted into 275 single family and multi-family high end homes. The average price of these homes is starting at \$400,000. Once fully built and occupied, the development is expected to generate approximately \$500,000 in additional income tax and property tax revenues.

The City also has an annual road program which entails major and minor resurfacing of the various streets. It also has a crack sealing and concrete repairs program all of which account for approximately \$650,000 in governmental expenses for the upkeep and maintenance of the roadways within the City limits. For the major resurfacing projects, the City has actively pursued and has been successful in obtaining grants and financial assistance from the Ohio Public Works Commission (OPWC). Since 1998 the City has been successful in obtaining in excess of \$1.8 million in grants or loans from the OPWC. These grants and loan assistance programs account for twenty to thirty percent of the actual costs of the project, the balance being borrowed from the open market by way of bond issues, which reduces the amount of borrowing the City has to undertake. During 2008, the major funds depicted in the Governmental Funds Balance Sheet (page 17) and

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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Statement of Revenues, Expenditures and Changes in Fund Balances (page 19) are the General fund, the Fire Levy fund and the Northwest Quadrant fund.

**The City's Funds**

Information about the City's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The City had several capital projects funds with deficit fund balances. These are caused by the recognition of expenditures on the modified accrual basis of accounting and the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, these deficits will be eliminated.

All governmental funds had total revenues of \$12.4 million and expenditures of \$16.0 million. Other financing sources and uses provided an additional \$1.3 million for operations. The net change in fund balance for the year was most significant in the Northwest Quadrant capital project fund which showed a decrease of \$2.5 million. The total year end fund balance was \$2.2 million for all governmental funds.

*General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public, the budget is adopted at an object level by City Council. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. Council must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of fiscal 2008, the City amended its general fund budget several times. The Finance Department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the general fund, budget basis revenue was \$3.2 million above final budget estimates of \$6.4 million. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenues areas. The final appropriations of \$10.4 million was sufficient to meet the expenditures for the year, which ended up at \$9.6 million or \$0.8 million less than anticipated due to a savings experienced in various contracts for the annual road maintenance program and other areas like health insurance costs.

The City's ending unobligated budgetary fund balance was \$4.1 million higher than the final projected budgetary fund balance amount of \$0.2 million.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2008, the City had \$19.2 million invested in land, buildings, improvements, vehicles, equipment and infrastructure. Table 3 shows fiscal 2008 balances of Capital Assets as compared to 2007:

Table 3  
 Capital Assets at December 31  
 (Net of Depreciation, in Millions)

	Governmental Activities		
	2008	2007	Change
Land	\$0.3	\$0.3	\$0.0
Construction in Progress	1.5	0.6	0.9
Improvements to Land	0.1	0.1	0.0
Buildings and Improvements	3.3	3.1	0.2
Vehicles	1.7	1.8	(0.1)
Furniture, Fixtures and Equipment	0.2	0.3	(0.1)
Infrastructure			
Streets	7.6	9.0	(1.4)
Bridges	0.1	0.1	0.0
Sanitary Sewer System	4.4	4.1	0.3
<b>Total Capital Assets</b>	<b>\$19.2</b>	<b>\$19.4</b>	<b>(\$0.2)</b>

Net of depreciation, the balances for the above capital assets decreased by \$.2 million. The construction in progress was higher by \$0.9 million, due to addition expenditures on the northwest quadrant project. There was an increase of \$0.3 million in sanitary sewers due to the installation of a new pump station. There was a \$1.4 million decrease in streets due to depreciation taken in 2008. There was no significant change in land, improvements to land, buildings and improvements, vehicles, and furniture and fixtures. The City continued its aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks, ambulances, rubbish trucks, etc. are planned for in advance by the respective department heads and a scheduled maintenance and replacement time table is followed to provide peak performance for the life of the asset. Police cars are replaced every eighteen months or when they have been driven approximately 80,000 miles. The older vehicles are either traded in to the dealers or sold to the highest bidder in the open market.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack sealed and in the case of concrete roads, either replaced or repaired. After approval from Council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the current operating funds of the City. In the case of a major resurfacing project on one of the main arteries in the City, as mentioned, the City has effectively pursued external sources of funding twenty to thirty percent of the project in the form of grants and loan assistance programs from State Issue II funds thereby reducing the total amount to be borrowed to provide the matching funds. Additional information concerning the City's capital assets can be found in Note 11 to the basic financial statements.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

**Debt**

At December 31, 2008, the City had \$7.3 million in outstanding long-term liabilities, of which \$6.0 million was in general obligation bonds. Table 4 summarizes the obligations outstanding.

Table 4  
 Outstanding Long-term Liabilities at Year End  
 (In Millions)

	Governmental Activities	
	2008	2007
General Obligation Bonds	\$6.0	\$5.5
OPWC Loans	1.0	1.0
Compensated Absences	0.3	0.3
Total	\$7.3	\$6.8

At December 31, 2008, the City's overall legal debt margin was \$29,705,769 with an unvoted debt margin of \$10,976,829. The City has an aggressive debt reduction strategy whereby most long term bonds are paid off within ten years as opposed to fifteen or twenty years. At year end, the outstanding general obligation bonded debt was \$5,990,000. In addition, the City had an outstanding balance of \$989,340 on two twenty-year interest free loans obtained from the Ohio Public Works Commission. There was also an amount of \$314,570 booked as compensated absences in the long-term debt obligations for accrued sick leave payable to the employees.

The City had \$3,655,000 outstanding in bond anticipation notes. These proceeds were used for the Northwest Quadrant Sewer Rehabilitation project.

Also, the City has manuscript bonds which represent five separate water and sewer improvement issues in the form of manuscript bonds issued by the City. Manuscript Bonds are bonds issued and purchased by the City and held until maturity as an investment vehicle whereby the City pays interest to the General fund from the Debt Service fund. This form of issue avoids the underwriting and insurance costs and is used primarily in projects which require minimal funding. These bonds are shown on the balance sheet as interfund receivables/payables between the general fund and the capital projects fund. At year end, the outstanding Special Assessment Manuscript bonds were \$219,373. Additional information concerning the City's manuscript debt can be found in Note 10 to the basic financial statements.

Additional information concerning the City's debt can be found in Notes 17 and 18 to the basic financial statements.

**Current Related Financial Activities**

The City is financially strong. In addition, the City's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City with full disclosure of the financial position of the City.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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**Contacting the City of Pepper Pike's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director Prashant Shah, CPA, at the City of Pepper Pike, 28000 Shaker Boulevard, Pepper Pike, Ohio 44124, phone number (216) 831-8500.

Basic Financial Statements

**City of Pepper Pike, Ohio***Cuyahoga County**Statement of Net Assets**December 31, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,091,053
Accounts Receivable	97,300
Intergovernmental Receivable	544,132
Prepaid Items	72,632
Materials and Supplies Inventory	107,139
Income Taxes Receivable	1,059,814
Property Taxes Receivable	3,352,288
Special Assessments Receivable	285,051
Nondepreciable Capital Assets	1,820,665
Depreciable Capital Assets, Net	<u>17,359,392</u>
<i>Total Assets</i>	<u>31,789,466</u>
<b>Liabilities</b>	
Accounts Payable	158,367
Contracts Payable	1,028,349
Accrued Wages	254,363
Intergovernmental Payable	441,851
Deferred Revenue	3,177,893
Accrued Interest Payable	76,009
Notes Payable	3,655,000
Vacation Benefits Payable	330,375
Long-Term Liabilities:	
Due Within One Year	568,407
Due In More Than One Year	<u>6,725,503</u>
<i>Total Liabilities</i>	<u>16,416,117</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	11,180,572
Restricted for:	
Capital Projects	1,729,069
Debt Service	106,086
Other Purposes	607,599
Unrestricted	<u>1,750,023</u>
<i>Total Net Assets</i>	<u><u>\$15,373,349</u></u>

See accompanying notes to the basic financial statements



**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2008*

	General	Fire Levy	Northwest Quadrant	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and					
Cash Equivalents	\$4,500,278	\$89,900	\$1,738,167	\$762,708	\$7,091,053
Property Taxes Receivable	1,362,300	1,327,248	0	662,740	3,352,288
Income Taxes Receivable	1,059,814	0	0	0	1,059,814
Accounts Receivable	50,878	46,422	0	0	97,300
Intergovernmental Receivable	259,733	88,095	0	196,304	544,132
Interfund Receivable	427,373	0	0	0	427,373
Materials and Supplies Inventory	107,139	0	0	0	107,139
Prepaid Items	72,632	0	0	0	72,632
Special Assessments Receivable	0	0	0	285,051	285,051
<i>Total Assets</i>	<u>\$7,840,147</u>	<u>\$1,551,665</u>	<u>\$1,738,167</u>	<u>\$1,906,803</u>	<u>\$13,036,782</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$119,102	\$39,265	\$0	\$0	\$158,367
Contracts Payable	13,920	16,073	990,367	7,989	1,028,349
Accrued Wages	177,346	77,017	0	0	254,363
Intergovernmental Payable	200,331	49,724	0	191,796	441,851
Interfund Payable	0	0	130,000	297,373	427,373
Deferred Revenue	2,318,111	1,445,250	0	1,119,841	4,883,202
Accrued Interest Payable	0	0	32,805	966	33,771
Notes Payable	0	0	3,655,000	0	3,655,000
<i>Total Liabilities</i>	<u>2,828,810</u>	<u>1,627,329</u>	<u>4,808,172</u>	<u>1,617,965</u>	<u>10,882,276</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	281,298	34,438	747,809	25,177	1,088,722
Reserved for Advances	219,373	0	0	0	219,373
Unreserved					
Undesignated, Reported in:					
General Fund	4,510,666	0	0	0	4,510,666
Special Revenue Funds (Deficit)	0	(110,102)	0	285,130	175,028
Debt Service Funds	0	0	0	19,994	19,994
Capital Projects Funds (Deficit)	0	0	(3,817,814)	(41,463)	(3,859,277)
<i>Total Fund Balances (Deficit)</i>	<u>5,011,337</u>	<u>(75,664)</u>	<u>(3,070,005)</u>	<u>288,838</u>	<u>2,154,506</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,840,147</u>	<u>\$1,551,665</u>	<u>\$1,738,167</u>	<u>\$1,906,803</u>	<u>\$13,036,782</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2008*

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<b>Total Governmental Fund Balances</b>	<b>\$2,154,506</b>
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*Amounts reported for governmental activities in the statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,180,057
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	174,395
Income Taxes	800,470
Estate Taxes	11,981
Special Assessments	285,051
Intergovernmental	403,505
Charges for Services	29,907

Total	1,705,309
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(42,238)
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Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(330,375)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(5,990,000)
OPWC Loans	(989,340)
Compensated Absences	(314,570)

Total	(7,293,910)
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<i>Net Assets of Governmental Activities</i>	<u><u>\$15,373,349</u></u>
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See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Fire Levy	Northwest Quadrant	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,157,539	\$1,250,336	\$0	\$765,506	\$3,173,381
Municipal Income Taxes	4,211,006	0	0	0	4,211,006
Estate Taxes	2,212,357	0	0	0	2,212,357
Admissions Taxes	273,353	0	0	0	273,353
Charges for Services	198,785	115,802	0	0	314,587
Fees, Licenses and Permits	55,951	0	0	0	55,951
Fines and Forfeitures	70,934	0	0	0	70,934
Intergovernmental	322,443	169,888	0	398,579	890,910
Special Assessments	0	0	0	603,056	603,056
Interest	306,596	0	0	19,595	326,191
Rentals	93,570	0	0	0	93,570
Contributions and Donations	0	0	0	65	65
Other	154,047	6,303	0	1,348	161,698
<i>Total Revenues</i>	<u>9,056,581</u>	<u>1,542,329</u>	<u>0</u>	<u>1,788,149</u>	<u>12,387,059</u>
<b>Expenditures</b>					
Current:					
General Government	1,412,273	0	17,846	142,451	1,572,570
Security of Persons and Property:					
Police	3,411,186	0	0	333,027	3,744,213
Fire	0	2,135,443	0	323,662	2,459,105
Public Health Services	27,300	0	0	0	27,300
Community Environment	282,575	0	0	3,139	285,714
Basic Utility Services	1,873,257	0	0	0	1,873,257
Transportation	2,126,846	0	0	332,383	2,459,229
Capital Outlay	0	0	2,295,598	86,021	2,381,619
Debt Service:					
Principal Retirement	0	0	0	803,407	803,407
Interest and Fiscal Charges	0	0	136,450	268,756	405,206
<i>Total Expenditures</i>	<u>9,133,437</u>	<u>2,135,443</u>	<u>2,449,894</u>	<u>2,292,846</u>	<u>16,011,620</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(76,856)</u>	<u>(593,114)</u>	<u>(2,449,894)</u>	<u>(504,697)</u>	<u>(3,624,561)</u>
<b>Other Financing Sources (Uses)</b>					
General Obligation Bonds Issued	0	0	0	1,260,000	1,260,000
Transfers In	0	460,000	0	822,450	1,282,450
Transfers Out	(873,000)	0	0	(409,450)	(1,282,450)
<i>Total Other Financing Sources (Uses)</i>	<u>(873,000)</u>	<u>460,000</u>	<u>0</u>	<u>1,673,000</u>	<u>1,260,000</u>
<i>Net Change in Fund Balances</i>	<u>(949,856)</u>	<u>(133,114)</u>	<u>(2,449,894)</u>	<u>1,168,303</u>	<u>(2,364,561)</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>5,961,193</u>	<u>57,450</u>	<u>(620,111)</u>	<u>(879,465)</u>	<u>4,519,067</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$5,011,337</u>	<u>(\$75,664)</u>	<u>(\$3,070,005)</u>	<u>\$288,838</u>	<u>\$2,154,506</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Reconciliation of the Statement of Revenues, Expenditures and Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Year Ended December 31, 2008*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$2,364,561)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Outlay	1,757,074
Depreciation	<u>(1,999,018)</u>
Total	(241,944)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(810)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(128,982)
Income Taxes	(32,497)
Estate Taxes	(180,610)
Special Assessments	(20,825)
Intergovernmental	16,092
Charges for Services	<u>(8,033)</u>
Total	(354,855)
Other financing sources, such as the issuance of general obligation bonds, in the governmental funds increase long-term liabilities in the statement of net assets.	
	(1,260,000)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	803,407
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental, an interest expenditure is reported when due.	
	9,146
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated Absences	(10,465)
Vacation Benefits Payable	<u>(30,193)</u>
Total	<u>(40,658)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$3,450,275)</u></u>
See accompanying notes to the basic financial statements	

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$817,258	\$817,258	\$1,226,003	\$408,745
Municipal Income Taxes	2,818,691	2,818,691	4,228,435	1,409,744
Estate Taxes	1,835,954	1,835,954	2,754,190	918,236
Admissions Tax	149,849	149,849	224,794	74,945
Charges for Services	132,511	132,511	198,785	66,274
Fees, Licenses and Permits	38,964	38,964	58,452	19,488
Fines and Forfeitures	44,463	44,463	66,701	22,238
Intergovernmental	214,938	214,938	322,438	107,500
Interest	188,856	188,856	283,310	94,454
Rentals	62,374	62,374	93,570	31,196
Other	68,572	68,572	102,867	34,295
<i>Total Revenues</i>	6,372,430	6,372,430	9,559,545	3,187,115
<b>Expenditures</b>				
Current:				
General Government	1,710,885	1,806,032	1,643,945	162,087
Security of Persons and Property:				
Police	3,477,949	3,667,922	3,381,907	286,015
Public Health Services	28,759	30,355	27,525	2,830
Community Environment	295,338	311,773	287,246	24,527
Basic Utility Services	1,939,304	2,042,513	1,869,479	173,034
Transportation	2,406,837	2,531,987	2,362,051	169,936
<i>Total Expenditures</i>	9,859,072	10,390,582	9,572,153	818,429
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	(3,486,642)	(4,018,152)	(12,608)	4,005,544
<b>Other Financing Uses</b>				
Advances Out	(214,110)	(226,171)	(208,000)	18,171
Transfers Out	(898,645)	(949,268)	(873,000)	76,268
<i>Total Other Financing Uses</i>	(1,112,755)	(1,175,439)	(1,081,000)	94,439
<i>Net Change in Fund Balance</i>	(4,599,397)	(5,193,591)	(1,093,608)	4,099,983
<i>Fund Balance Beginning of Year</i>	5,037,518	5,037,518	5,037,518	0
Prior Year Encumbrances Appropriated	382,737	382,737	382,737	0
<i>Fund Balance End of Year</i>	\$820,858	\$226,664	\$4,326,647	\$4,099,983

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
 Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Fire Levy Fund  
 For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$1,381,683	\$1,381,683	\$1,250,336	(\$131,347)
Charges for Services	118,404	118,404	107,148	(11,256)
Intergovernmental	194,699	194,699	176,190	(18,509)
Other	<u>6,965</u>	<u>6,965</u>	<u>6,303</u>	<u>(662)</u>
<i>Total Revenues</i>	1,701,751	1,701,751	1,539,977	(161,774)
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	<u>2,236,047</u>	<u>2,109,597</u>	<u>2,109,430</u>	<u>167</u>
<i>Excess of Revenues Under Expenditures</i>	(534,296)	(407,846)	(569,453)	(161,607)
<b>Other Financing Sources</b>				
Transfers In	<u>508,323</u>	<u>508,323</u>	<u>460,000</u>	<u>(48,323)</u>
<i>Net Change in Fund Balance</i>	(25,973)	100,477	(109,453)	(209,930)
<i>Fund Balance Beginning of Year</i>	6,389	6,389	6,389	0
Prior Year Encumbrances Appropriated	<u>103,247</u>	<u>103,247</u>	<u>103,247</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$83,663</u>	<u>\$210,113</u>	<u>\$183</u>	<u>(\$209,930)</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2008*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$245,930</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$245,930</u></u>
See accompanying notes to the basic financial statements	

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**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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**Note 1 – Description of the City and Reporting Entity**

The City of Pepper Pike (the “City”) is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on January 1, 1967. The City is governed under the mayor-council form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the legal entity of the City (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.”

The primary government includes the City departments and agencies that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair and general administrative services.

Water service within the City is provided by the City of Cleveland Water Department and is purchased directly by the consumers. Approximately 800 residential homes, schools and business are served by a sewage collection system that is owned by the City and operated by the County Sanitary Engineer. Approximately 300 of the 800 residential homes have the sewage treated at a plant owned by the Northeast Ohio Regional Sewer District. The remaining homes, schools and businesses operate and maintain private sewage treatment systems that are inspected by the Cuyahoga County Board of Health. The City owns and maintains storm sewers and culverts within the public right-of-way and designated easements for the collection and discharge of storm water.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Northeast Ohio Public Energy Council which is defined as a jointly governed organization. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest nor responsibility on the part of the participating governments. This organization is discussed in Notes 12 to the basic financial statements.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental 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.

***B. Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental or fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Pepper Pike and/or the general laws of Ohio.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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***Fire Levy Special Revenue Fund*** – The fire levy fund is used to account for property tax revenues received from a fire levy and transfers from the general fund. Monies are used to maintain fire equipment and for salaries of firemen.

***Northwest Quadrant Capital Projects Fund*** – The Northwest Quadrant fund receives note proceeds for the construction and reconstruction of storm sewers in the Northwest Quadrant.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City’s agency funds account for tree planting and construction deposits.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### ***E. 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 resolution, 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 Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriation resolution 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 resolution for that fund that covered the entire year, including amounts

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

***F. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During 2008, investments were limited to federal home loan bank bonds and STAROhio. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer’s Office. STAROhio allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investments Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$306,596, which includes \$99,582 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***I. Capital Assets***

The City’s only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Improvements to Land	20 years
Buildings and Improvements	30-75 years
Vehicles	10 years
Furniture, Fixtures and Equipment	10 years
Infrastructure	20-100 years

The City’s infrastructure consists of streets, bridges and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

***J. Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City’s policy limits the accrual of vacation time to one year from the employee’s anniversary date, the outstanding liability is recorded as “vacation benefits payable” on the statement of net assets rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of accumulated service.

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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***M. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and long-term advances.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$2,442,754, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for street construction, maintenance and repair and the operation of the fire department.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***O. Interfund Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses 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 revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration that are either unusual in nature or infrequent in occurrence.

***Q. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

**Note 3 - Change in Accounting Principles**

For 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address current and potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the City's financial statements.

**Note 4 - Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue fund.

	Net Change in Fund Balance	
	General	Fire Levy
GAAP Basis	(\$949,856)	(\$133,114)
Net Adjustment for Revenue Accruals	527,139	(2,352)
Beginning Fair Value Adjustments for Investments	2,700	0
Ending Fair Value Adjustment for Investments	(26,875)	0
Advances Out	(208,000)	0
Net Adjustment for Expenditure Accruals	(72,587)	115,730
Encumbrances	(366,129)	(89,717)
Budget Basis	(\$1,093,608)	(\$109,453)

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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**Note 5 – Fund Deficits**

Fund balances at December 31, 2008, included the following individual fund deficits:

<i><b>Special Revenue Funds</b></i>	
Fire Levy	\$75,664
Police Pension	86,976
Fire Pension	93,100
<i><b>Capital Projects Funds</b></i>	
Northwest Quadrant	3,070,005
Pepper Pike Waste Water Treatment Plant	47,273
Brainard Road Sewerline	88,285
Lander/Emerson Waterline	44,202
Kersdale Road Waterline	87,852
Thornapple Waterline	16,607
Windy Hill Waterline	20,859

The fire levy, police pension and fire pension special revenue funds' and the Pepper Pike Waste Water Treatment Plant, Thornapple waterline and the Windy Hill waterline capital projects funds' deficits are caused by the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on the cash basis. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Northwest Quadrant, Brainard Road sewerline, Lander/Emerson waterline, Kersdale Road waterline capital projects funds' deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, the deficit will be eliminated.

**Note 6 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active monies are public monies necessary to meet current demands on the treasury. Active monies must be maintained either as cash in the City 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.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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 City, and must be purchased with the expectation that it will be held to maturity.

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$603,848 of the City's bank balance of \$1,366,869 was uninsured and uncollateralized. Although the

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City 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 City 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**

Investments are reported at fair value. As of December 31, 2008, the City had the following investments:

	Maturity			Total
	Less Than Six Months	More Than Six Months But Less Than One Year	More Than One Year But Less Than Three Years	
Federal Home Loan Bank Bonds	\$753,175	\$1,000,000	\$2,023,700	\$3,776,875
STAROhio	2,075,894	0	0	2,075,894
<b>Total Portfolio</b>	<b>\$2,829,069</b>	<b>\$1,000,000</b>	<b>\$2,023,700</b>	<b>\$5,852,769</b>

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** The Federal Home Loan Bank Bonds carry a rating of AAA by Standard & Poor's and STAROhio carries a rating of AAA by Standard & Poor's. The City has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2008:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank Bonds	64.53%
STAROhio	35.47

**Note 7 - Receivables**

Receivables at December 31, 2008, consisted primarily of municipal income taxes, property and estate taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

All receivables except property taxes and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$249,063 in the special assessment bond retirement fund. At December 31, 2008 the amount of delinquent special assessments was \$9,399.

***A. Property Taxes***

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2008, was \$9.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$374,578,810
Other Real Estate	31,196,660
Tangible Personal Property	
Public Utility	5,414,390
General Tangible Personal Property	473,495
Total Assessed Values	\$411,663,355

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Pepper Pike. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the general fund, the general obligation bond retirement fund, the fire levy fund and the police and fire pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and a revenue while the remainder of the receivable is deferred.

***B. Intergovernmental Receivables***

A summary of intergovernmental receivables as of December 31, 2008 follows:

Homestead and Rollback	\$224,409
Gasoline Tax	99,365
Local Government	72,333
Estate Tax	47,923
Permissive Tax	42,414
Northeast Ohio Coordinating Agency	40,000
Bureau of Worker's Compensation	13,455
Court Fines	4,233
Total	\$544,132

***C. Income Taxes***

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, residents are required to pay city income tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. Income tax revenue is credited entirely to the general fund.

**Note 8 - Contingencies**

***A. Litigation***

The City is a party to legal proceedings seeking damages. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

**B. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2008.

**Note 9 – Other Employee Benefits**

**A. Compensated Absences**

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation.

Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Unused sick leave can be accumulated up to 120 work days, unless more than 120 work days are approved by the Mayor. Upon retirement, employees with 20 or more years of service shall be paid at the rate of one day for every two days accumulated.

**B. Health Insurance**

The City has contracted with Hometown Health Network to provide employee health care coverage.

**Note 10 - Interfund Transfers and Balances**

**A. Interfund Transfers**

Transfers made during the year ended December 31, 2008 were as follows:

Transfer To	Transfer From		Total All Funds
	General	Other Governmental Funds	
Fire Levy	\$460,000	\$0	\$460,000
Other Governmental Funds:			
Municipal Emergency Grant	3,000	0	3,000
Police Pension	210,000	0	210,000
Fire Pension	200,000	0	200,000
Bond Retirement Fund	0	409,450	409,450
Total Other Governmental Funds	413,000	409,450	822,450
Total All Funds	\$873,000	\$409,450	\$1,282,450

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

The general fund transfer to the fire levy special revenue fund was to subsidize the revenue from the 4 mill fire levy which was not sufficient to cover the expenditures in the fire levy fund for 2008. The general fund transfer to the municipal emergency grant special revenue fund was to move unrestricted balances to support programs and projects accounted for in this fund. The general fund transfer to the police pension and fire pension special revenue funds were to subsidize the .3 mill police pension levy and .3 mill fire pension levy which were not sufficient to cover the City’s annual liabilities with regards to the City’s contributions to these pension funds. The Brainard Road Waterline and Pinetree Water Improvement capital projects funds’ transfers to the bond retirement fund were made for debt repayment.

**B. Interfund Balances**

On the fund financial statements interfund balances at December 31, 2008 were:

	Receivable		Payable	
	Manuscript Notes	Advances To Other Funds	Manuscript Notes	Advances From Other Funds
<b>Major Funds</b>				
General	\$219,373	\$208,000	\$0	\$0
<b>Nonmajor Capital Project Funds</b>				
Pepper Pike Wastewater Treatment				
Plant and East Road	0	0	0	44,500
Brainard Road Sewer	0	0	87,864	0
Lander/Emerson Waterline	0	0	44,000	0
Kersdale Road Waterline	0	0	87,509	0
Northwest Quadrant	0	0	0	130,000
Thornapple Water Main	0	0	0	14,000
Windy Hill Water Main	0	0	0	19,500
<i>Totals</i>	\$219,373	\$208,000	\$219,373	\$208,000

The Brainard Road Sewer interfund balance represents a manuscript note that was issued on September 26, 1996 at 5.70 percent. This note is due on December 1, 2016 and was used for improvements to the Brainard Road sewer.

The Lander/Emerson Waterline interfund balance represents a manuscript note that was issued on June 1, 1999 at 5.35 percent. This note is due on December 1, 2019 and was used for renovations to the Lander/Emerson waterline.

The Kersdale Road Waterline interfund balance represents a manuscript note that was issued on June 1, 2000 at 4.70 percent. This note is due on December 1, 2021 and was used for improvements to the Kersdale Road waterline.

The manuscript notes were issued by the City and purchased by the general fund as an investment. The remaining interfund balances at December 31, 2008 were made to support projects in the Northwest Quadrant, Pepper Pike Wastewater Treatment Plant and East Road, Thornapple Water Main, and Windy Hill Water Main capital projects funds’ pending the receipt of assessments and grant monies that will be used to repay the loans. All are expected to be paid within one year.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

**Note 11 - Capital Assets**

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
<b><i>Capital Assets not being Depreciated</i></b>				
Land	\$271,350	\$0	\$0	\$271,350
Construction in Progress	586,460	962,855	0	1,549,315
<b><i>Total Capital Assets not being Depreciated</i></b>	<b>857,810</b>	<b>962,855</b>	<b>0</b>	<b>1,820,665</b>
<b><i>Capital Assets being Depreciated</i></b>				
Improvements to Land	\$221,806	\$0	\$0	\$221,806
Buildings and Improvements	4,087,398	283,085	0	4,370,483
Vehicles	3,375,987	136,058	0	3,512,045
Furniture, Fixtures and Equipment	1,730,152	76	(9,639)	1,720,589
Infrastructure				
Streets	28,975,154	0	0	28,975,154
Bridges	249,605	0	0	249,605
Sanitary Sewers	5,228,450	375,000	0	5,603,450
<b><i>Total Capital Assets being Depreciated</i></b>	<b>43,868,552</b>	<b>794,219</b>	<b>(9,639)</b>	<b>44,653,132</b>
<b><i>Less: Accumulated Depreciation</i></b>				
Improvements to Land	(126,553)	(7,965)	0	(134,518)
Buildings and Improvements	(1,003,985)	(70,481)	0	(1,074,466)
Vehicles	(1,578,390)	(255,719)	0	(1,834,109)
Furniture, Fixtures and Equipment	(1,435,831)	(106,534)	8,829	(1,533,536)
Infrastructure				
Streets	(19,916,460)	(1,448,758)	0	(21,365,218)
Bridges	(113,139)	(4,992)	0	(118,131)
Sanitary Sewers	(1,129,193)	(104,569)	0	(1,233,762)
<b><i>Total Accumulated Depreciation</i></b>	<b>(25,303,551)</b>	<b>(1,999,018)</b>	<b>8,829</b>	<b>(27,293,740)</b>
<b><i>Total Capital Assets being Depreciated, Net</i></b>	<b>18,565,001</b>	<b>(1,204,799)</b>	<b>(810)</b>	<b>17,359,392</b>
<b><i>Total Capital Assets, Net</i></b>	<b>\$19,422,811</b>	<b>(\$241,944)</b>	<b>(\$810)</b>	<b>\$19,180,057</b>

\*Depreciation expense was charged to governmental activities as follows:

General Government	\$65,623
Security of Persons and Property:	
Police	51,787
Fire	125,105
Community Development	375
Basic Utility Services	194,358
Transportation	1,561,770
<b>Total Depreciation Expense</b>	<b>\$1,999,018</b>

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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**Note 12 – Jointly Governed Organization**

The City 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 and natural gas. NOPEC is currently comprised of 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas 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 and natural gas 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 City of Pepper Pike did not contribute to NOPEC during 2008. Financial information can be obtained by contacting the Joseph Migliorini, Chairman, 175 South Main Street, Akron, Ohio 44308.

**Note 13 - Defined Benefit Pension Plans**

***A. Ohio Public Employees Retirement System***

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$212,929, \$242,455 and \$252,796 respectively; 81.9 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$1,474 made by the City and \$1,053 made by the plan members.

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$196,701 and \$213,459 for the year ended December 31, 2008, \$191,121 and \$205,505 for the year ended December 31, 2007, \$173,815 and \$186,710 for the year ended December 31, 2006. 69.2 percent has been contributed for police and 66.6 percent has been contributed for firefighters for 2008. The full amount has been contributed for 2007 and 2006.

**Note 14 – Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

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

To qualify for post-employment 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 require, 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 OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$212,929, \$159,701 and \$123,650 respectively; 81.9 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

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

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

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

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

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

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$104,136 and \$83,527 for the year ended December 31, 2008, \$101,182 and \$80,415 for the year ended December 31, 2007, and \$114,644 and \$89,046 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 69.2 percent has been contributed for police and 66.6 percent has been contributed for firefighters for 2008.

**Note 15 - Risk Management**

The City 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 the year, the City contracted with Selective Insurance Company for the following types of insurance:

Type	Deductible	Coverage
Property	\$1,000	\$10,869,413
Boiler and Machinery	1,000	10,869,413
Inland Marine	500	351,094
Vehicle	500	1,000,000
General Liability	N/A	1,000,000
EMT Liability	N/A	1,000,000
Law Enforcement	5,000	1,000,000
Public Officials Liability	5,000	1,000,000
Umbrella Liability	N/A	10,000,000
Leased/Rented Equipment	500	50,000
Employee Dishonesty	N/A	10,000

Settled claims have not exceeded this commercial coverage in any of the past four years. There were no significant reductions in coverage from the prior year.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

**Note 16 - Outstanding Contractual Commitments**

The City entered into various contracts with construction contractors during the year. Of the total amounts authorized by Council ordinance, the following amount remains unspent as of December 31, 2008:

Construction Contractors	Amount Remaining
Longo Sewer Construction Company	\$1,683,758
ABC Piping Company	48,934
Breathing Air Systems	37,107
Advance Industrial Roof Company	21,745
Rooftech, Incorporated	13,668
Totals	\$1,805,212

**Note 17 – Notes Payable**

A summary of the note transactions for the year ended December 31, 2008 follows:

	Outstanding 12/31/2007	Issued	Retired	Outstanding 12/31/2008
4.15% Various Purpose Improvement Notes				
- Maturing September 18, 2008	\$5,137,000	\$0	(\$5,137,000)	\$0
1.95% Sanitary Sewer Improvement Notes				
- Maturing June 17, 2009	0	3,655,000	0	3,655,000
Total	\$5,137,000	\$3,655,000	(\$5,137,000)	\$3,655,000

In 2007, the City issued \$5,137,000 to refinance a portion of the notes that matured on October 2, 2007. These notes helped finance the improvements to the Pepper Hills waste water treatment plant, the storm sewer project on Cedar Road and the reconstruction of storm sewers in the Northwest Quadrant. These notes mature on September 18, 2008.

In 2008, the City issued \$3,655,000 to refinance a portion of the notes that matured on September 18, 2008. These notes helped finance the reconstruction of storm sewers in the Northwest Quadrant. These notes mature on June 17, 2009.

All notes are backed by the full faith and credit of the City of Pepper Pike and mature within one year. The note liability is reflected in the fund which received the proceeds and will repay the debt. The notes are generally issued in anticipation of long-term bond financing and refinanced until such bonds are issued.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

**Note 18 - Long-Term Obligations**

A schedule of changes in bonds and other long-term obligations of the City during 2008 follows:

	Principal Outstanding 12/31/2007	Additions	Deletions	Principal Outstanding 12/31/2008	Amounts Due In One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
1997 5.35% Brookwood Water					
Serial Bonds	\$495,000	\$0	(\$50,000)	\$445,000	\$50,000
1998 3.90% - 4.60% Street Improvement					
Serial Bonds	300,000	0	(300,000)	0	0
2001 2.50% - 4.00% Road Improvement					
Serial Bonds	1,195,000	0	(300,000)	895,000	300,000
2007 4.00 - 5.00 % Various Purpose					
Serial Bonds	1,705,000	0	(85,000)	1,620,000	120,000
Term Bonds	1,770,000	0	0	1,770,000	0
2008 3.00 - 5.00 % Street Improvement					
Serial Bonds	0	620,000	0	620,000	30,000
Term Bonds	0	640,000	0	640,000	0
<i>Total General Obligation Bonds</i>	<u>5,465,000</u>	<u>1,260,000</u>	<u>(735,000)</u>	<u>5,990,000</u>	<u>500,000</u>
<b>OPWC Loans</b>					
1996 0% Pinetree Water	236,738	0	(26,304)	210,434	26,304
2007 0% Brainard Road	821,009	0	(42,103)	778,906	42,103
<i>Total OPWC Loans</i>	<u>1,057,747</u>	<u>0</u>	<u>(68,407)</u>	<u>989,340</u>	<u>68,407</u>
<b>Other Long-term Obligations</b>					
Compensated Absences	304,105	152,053	(141,588)	314,570	0
<i>Total Governmental Activities</i>	<u>\$6,826,852</u>	<u>\$1,412,053</u>	<u>(\$944,995)</u>	<u>\$7,293,910</u>	<u>\$568,407</u>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. The Ohio Public Works Commission (OPWC) projects are being paid from the bond retirement debt service fund. Compensated absences will be paid from the general and fire levy special revenue fund.

On September 19, 1997, the City issued \$995,000 in general obligation bonds for the purpose of constructing a water line on Brookwood Road. The bonds were issued for a twenty year period with a final maturity on December 19, 2017.

On April 15, 1998, the City issued \$3,005,000 in general obligations bonds for the resurfacing of Shaker Boulevard (\$1,145,500) and the resurfacing of Gates Mills Boulevard (\$1,863,100). The bonds were issued for a twenty year period with a final maturity on December 1, 2018.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

On November 1, 2001, the City issued \$2,995,000 in general obligations bonds for resurfacing Fairmount Boulevard (\$1,335,000) and South Woodland (\$1,660,000). The bonds were issued for a ten year period with a final maturity on December 1, 2011.

On September 20, 2007, the City issued \$3,475,000 in general obligations bonds for Brainard Road storm sewer (\$458,000) and water line projects (\$428,000), construction of water pump stations on Fairmont Brainard Road (\$672,000) and Brainard Road (\$425,000) and Brainard Road Relocation project (\$1,492,000). The general obligation bonds consist of serial and term bonds in the amounts of \$1,705,000 and \$1,770,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2020	\$190,000
2021	200,000
Total	<u>\$390,000</u>

The remaining principal amount of the term bonds (\$205,000) will mature at the stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2023	\$210,000
2024	230,000
2025	235,000
2026	245,000
Total	<u>\$920,000</u>

The remaining principal amount of the term bonds (\$255,000) will mature at the stated maturity on December 1, 2027.

On September 17, 2008, the City issued \$1,260,000 in general obligations bonds for the Pepper Hills Wastewater Treatment Plant (\$852,000) and the Cedar Road Sewer (\$408,000). The general obligation bonds consist of serial and term bonds in the amounts of \$620,000 and \$640,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2028.

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

Year	Amount
2021	\$65,000
2022	75,000
2023	75,000
Total	\$215,000

The remaining principal amount of the term bonds (\$75,000) will mature at the stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2025	\$80,000
2026	85,000
2027	90,000
Total	\$255,000

The remaining principal amount of the term bonds (\$95,000) will mature at the stated maturity on December 1, 2028.

On July 1, 1996, the City entered into \$526,579 in an OPWC loan for the installation of a waterline on Pinetree Road. The loan is a twenty year interest free with a final maturity on July 1, 2016.

On April 4, 2007, the City entered into \$842,061 in an OPWC loan to help finance the Brainard Road Relocation project. The loan is a twenty year interest free with a final maturity on January 1, 2027.

As of December 31, 2008, the City's overall legal debt margin was \$29,705,769. The unvoted legal debt margin was \$10,976,829. Principal and interest requirements to retire the long-term general obligation bonds and the OPWC loans as of December 31, 2008 are as follows:

	General Obligation Bonds				OPWC Loan
	Serial		Term		
	Principal	Interest	Principal	Interest	
2009	\$500,000	\$278,939	\$0	\$0	\$68,407
2010	520,000	247,745	0	0	68,407
2011	515,000	226,707	0	0	68,407
2012	235,000	205,570	0	0	68,407
2013	235,000	195,657	0	0	68,407
2014-2018	1,275,000	816,280	0	0	289,429
2019-2023	300,000	165,105	1,020,000	374,975	210,515
2024-2028	0	0	1,390,000	189,000	147,361
Total	\$3,580,000	\$2,136,003	\$2,410,000	\$563,975	\$989,340

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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**Note 19 – Subsequent Event**

Beginning in 2009, the City belongs to the Ohio Public Treasurers Group Rating Pool, an insurance purchasing pool for workers' compensation. This pool allows public employers to group together to potentially achieve lower premium rates than they could individually. Each year, the participants pay an enrollment fee to cover the costs of administering the pool. The City could potentially reduce their workers' compensation liability because of participation in this pool.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2008*

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted a certain matter that we reported to the City's management in a separate letter dated August 7, 2009.

City of Pepper Pike

Cuyahoga County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required

by *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management and City Council. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

August 7, 2009



**Mary Taylor, CPA**  
Auditor of State

**CITY OF PEPPER PIKE**

**CUYAHOGA COUNTY**

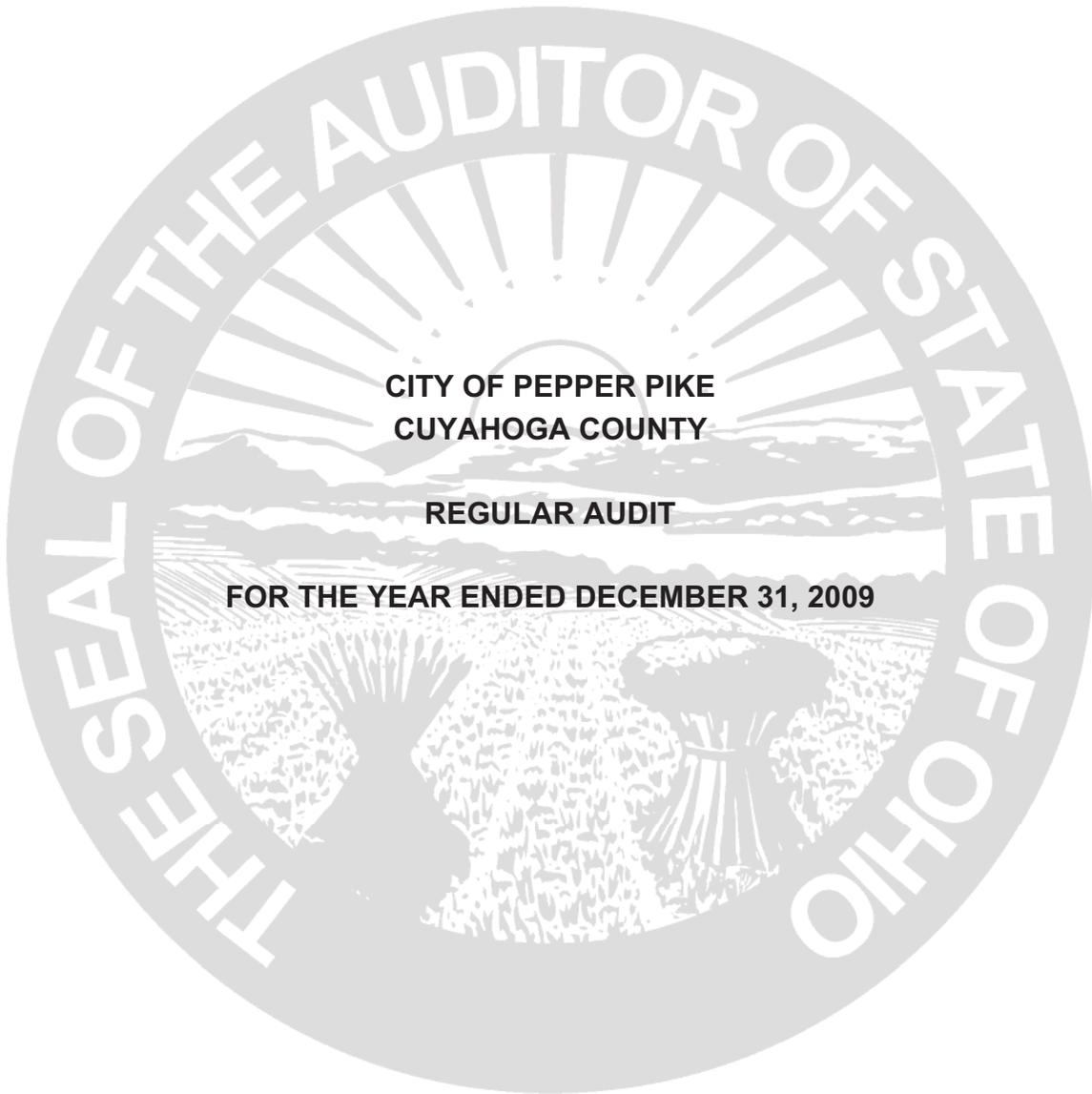
**CLERK'S CERTIFICATION**

**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  
DECEMBER 15, 2009**



**Mary Taylor, CPA**  
Auditor of State



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Fire Levy Fund	22
Statement of Fund Net Assets – Internal Service Fund	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund	24
Statement of Cash Flows – Internal Service Fund	25
Statement of Fiduciary Assets and Liabilities - Agency Funds	26
Notes to the Basic Financial Statements	27
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of Council

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2009 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Fire Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

October 19, 2010

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The discussion and analysis of the City of Pepper Pike's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and the notes thereof.

### **Financial Highlights**

Key financial highlights for 2009 are as follows:

- ◆ In this uncertain economic age, the City has experienced reductions in several revenue sources, including income taxes, investment earnings and estate taxes. Investment earnings are down due to declining interest rates and cash balances available to invest. Income taxes have gone down due to high unemployment rates in Cuyahoga County and estate taxes are not a predictable revenue source. The City offset these reduced revenues by decreasing operational expenses. As a result, program expenses were reduced \$4.1 million from the prior year. Also, the City has eliminated almost all of the capital expenditures including the annual road maintenance program in the amount of approximately \$1.0 million. Other annual contracts and maintenance items have either been eliminated or renegotiated to provide a savings of \$0.4 million.
- ◆ The City had various construction projects going on in 2009, including the reconstruction of the northwest quadrant and the installation of sewers on Windy Hill. These projects have increased capital assets during 2009.
- ◆ During 2009, the City issued \$3.5 million in general obligation serial bonds to retire notes issued for improvements in the northwest quadrant for the construction and upgrade of sanitary sewers and pump stations. The issuance of these bonds increased the City's long-term debt obligations on the statement of net assets.

### **Using this Annual Financial Report**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### ***Government-wide financial statements – Reporting the City of Pepper Pike as a Whole***

##### *Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

***Fund Financial Statements - Reporting the City of Pepper Pike's Most Significant Funds***

*Fund Financial Statements*

The analysis of the City's major funds begins on page 10. Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds for the 2009 fiscal year are the general fund, fire levy fund and the bond retirement fund.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

*Proprietary Funds*

The City maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund is a self insurance fund that accounts for medical benefits of the City's employees. The proprietary fund uses the accrual basis of accounting.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Pepper Pike's own programs.

**Government-wide Financial Analysis - City of Pepper Pike as a Whole**

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net assets for 2009 as compared to 2008.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

Table 1  
 Net Assets  
 (In Millions)

	Governmental Activities		
	2009	2008	Change
<b>Assets</b>			
Current and Other Assets	\$7.5	\$12.6	(\$5.1)
Capital Assets, Net	22.0	19.2	2.8
<i>Total Assets</i>	<u>29.5</u>	<u>31.8</u>	<u>(2.3)</u>
<b>Liabilities</b>			
Current Liabilities and Other Liabilities	\$4.5	\$9.1	(\$4.6)
Long-term Liabilities			
Due Within One Year	0.7	0.6	0.1
Due In More Than One Year	9.5	6.7	2.8
<i>Total Liabilities</i>	<u>14.7</u>	<u>16.4</u>	<u>(1.7)</u>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	12.7	11.2	1.5
Restricted for:			
Capital Projects	0.0	1.7	(1.7)
Debt Service	0.3	0.1	0.2
Other Purpose	0.7	0.6	0.1
Unrestricted	1.1	1.8	(0.7)
<i>Total Net Assets</i>	<u>\$14.8</u>	<u>\$15.4</u>	<u>(\$0.6)</u>

By comparing assets and liabilities, one can see the overall position of the City has decreased as evidenced by the decrease in net assets. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellence levels of service within the constraints of the budget.

The City continues to work in the direction of reducing its current liabilities and expenditures by stabilizing short and long-term liabilities. As an example, the City continued to use the consortiums for various purchases such as salt. It has also taken advantage of the various state purchasing memberships for purchase of major equipment. To further reduce expenditures on salt the City implemented a salt brine program which effectively reduces the salt usage by as much as 10-15 percent by mixing it with a pre-wetting solution. The City also purchased a revolutionary salt-brine spreading system which is anticipated to save an additional thirty to forty percent in salt expenses by spreading salt diagonally away from the curb and only onto the street. The City has taken the lead in utilizing the power of pooling resources within the Chagrin Valley communities by promoting sharing of heavy equipment and machinery. For example, if one of the communities in the Chagrin Valley needs a front end loader for a specific project it would borrow that piece of equipment from a neighboring community and reciprocate by allowing the lending community to borrow one of its pieces of equipment when needed.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

Another tool used by the City to reduce its long term liability is to pay off accumulated sick leave for employees who have a balance in excess of 960 hours of sick time remaining in their account at the end of each year. This excess is paid off at the rate of 1 hour for every two hours in excess of the 960 hours. This allows the City to buy back accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement of the employee. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to a future date.

The City has also been a part of the Ohio Municipal League Group Rating Plan (OML) for workers' compensation which has helped save over one hundred thousand dollars each year in premiums. During 2007, the City was informed that for 2008 they would not be invited into the pool due to the claims experience which temporarily increased the amount of premium paid to the Ohio Bureau of Workers' Compensation. To offset this increase the City joined a local Safety Council which reduces the annual premium by 2.0 percent. In addition, the Ten-step business plan was implemented to further reduce the premiums by 5.0 percent. The various departments within the City have established safety committees to meet the Bureau's guidelines and provide the employees with safety equipment to enable them to perform their tasks efficiently and also, as much as possible, to help keep the City premises an injury free work place. Random drug testing policy for employees with CDL licenses also affords an added measure of achieving this goal. A transitional work program has also been implemented to prevent any lost time claims from the Ohio Bureau of Workers' Compensation. These specific actions on the part of the City has managed to reduce the claims and also virtually eliminated the lost time claims finally resulting in the City being invited into the Ohio Association of Public Treasurers Rating Pool in 2009. In addition, the City has instituted the Drug Free Work Place program which provided an additional relief in premiums for the 2009. These actions are expected to save the City approximately \$115,000 in premiums. During 2009, the City had dropped its claims substantially over the previous year making it eligible to receive a refund on a portion of its premiums through the Greater Cleveland Safety Council.

The City's Service Department continued its cost saving measures during the year. Due to the immediate need to reduce expenses in the near future the Service Department purchased four small scooters in 2009 to replace the mini-packers to continue its rear-yard rubbish pickup program at a much lower cost. This will go into effect during the 2010 budget cycle. The scooters are driven by one person as opposed to two in the mini-packers and will reduce the manpower required for rubbish collection from 8 full-time employees to 5 full-time employees and is expected to save approximately \$300,000 annually. The City, with the help of an aggressive recycling campaign had approximately 4,869 tons of recycled material and donated material were diverted from the landfill thus saving about \$174,000 in disposal costs. The City was one of the top three recyclers in the County during 2007 and 2008 and continued this trend in 2009. In 2007, a Shred-It program was instituted whereby on a quarterly basis on a pre-selected date residents can come to the Service Department with up to four boxes of personal and confidential paperwork that they wish to have shredded at no cost to them. This also benefits the City by diverting additional material from landfills. Almost 30.3 tons of papers were shredded using this service. The City also received a Recycle Ohio Grant for the fourth consecutive year in the amount of \$3,800 for subsidizing public awareness for recycling through distribution of educational materials and newsletters. The City Service Department was named a Tree City USA for the seventh consecutive year. The City Service Department also continued its residential mixed recycling program which entails picking up recyclable material at the residences as opposed to having the residents drop off the material at the service garage. This was a big success and will be continued during 2010 which will ensure additional savings by having even more material being diverted from the landfill. The City expended \$40,000 to create an experimental bio-retention swale at two locations to filter polluted storm surface waters through various natural soils and plant roots to break down harmful chemicals. The City received a grant of \$24,000 from Chagrin River Watershed Partners, which was 60 percent of the total cost

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

of the bio-retention project. Also, instead of contracting street sweeping of City streets to private contractors at an annual cost of \$6,000, the Service Department purchased a used street sweeper for \$5,000 during 2001 and has been using the equipment since then resulting in additional savings. The Department also purchased three swap loaders which can convert a salt bed to a dump bed in minutes. This affords efficiencies in capital and maintenance costs since the City only needs to purchase one truck chassis instead of two. The Service Department also continues to do repairs and renovation by using the in-house crew as opposed to hiring contractors which ensures maximizing the use of available resources.

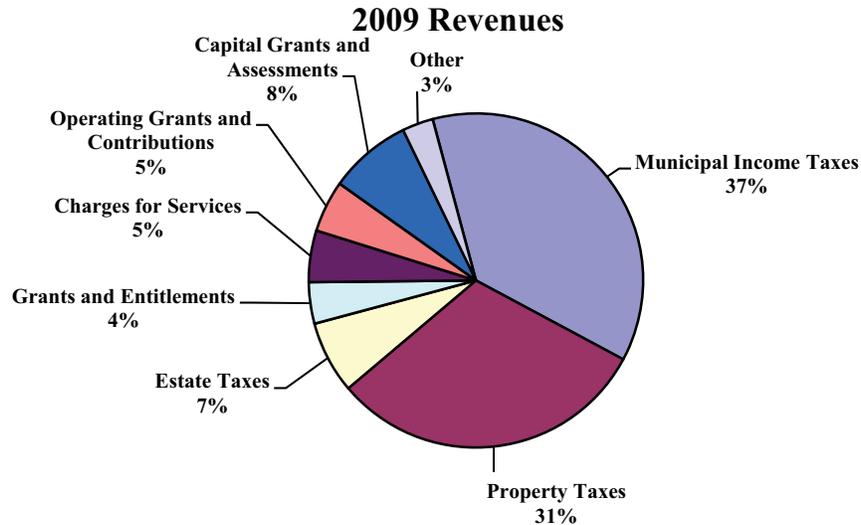
Table 2 shows the changes in net assets for the years ended December 31, 2009 and December 31, 2008 and corresponds to the Statement of Activities on page 16.

Table 2  
 Changes in Net Assets  
 (In Millions)

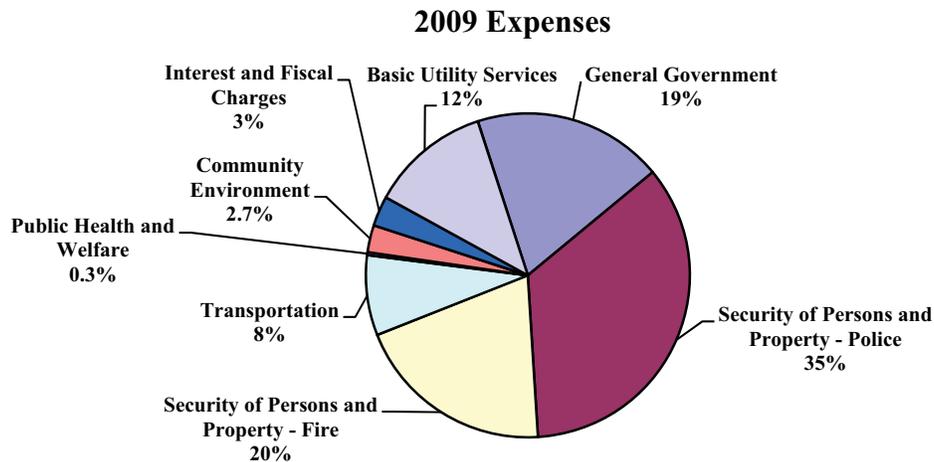
	<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>Program Revenues</b>			
Charges for Services	\$0.5	\$0.5	\$0.0
Operating Grants and Contributions	0.5	0.5	0.0
Capital Grants and Assessments	0.9	0.6	0.3
<i>Total Program Revenues</i>	<u>\$1.9</u>	<u>\$1.6</u>	<u>\$0.3</u>
<b>General Revenues</b>			
Property Taxes	\$3.3	\$3.0	\$0.3
Income Taxes	3.9	4.2	(0.3)
Estate Taxes	0.7	2.0	(1.3)
Admissions Tax	0.3	0.3	0.0
Grants and Entitlements	0.4	0.4	0.0
Investment Earnings	0.1	0.3	(0.2)
Other	0.1	0.2	(0.1)
<i>Total General Revenues</i>	<u>8.8</u>	<u>10.4</u>	<u>(1.6)</u>
<i>Total Revenues</i>	<u>10.7</u>	<u>12.0</u>	<u>(1.3)</u>
<b>Program Expenses</b>			
General Government	2.1	1.3	(0.8)
Security of Persons and Property	6.2	6.4	0.2
Community Environment	0.3	0.3	0.0
Basic Utility Services	1.4	2.4	1.0
Transportation	1.0	4.6	3.6
Interest and Fiscal Charges	0.3	0.4	0.1
<i>Total Program Expenses</i>	<u>11.3</u>	<u>15.4</u>	<u>4.1</u>
<i>Change in Net Assets</i>	<u>(0.6)</u>	<u>(3.4)</u>	<u>2.8</u>
Net Assets Beginning of Year	<u>15.4</u>	<u>18.8</u>	<u>(3.4)</u>
Net Assets End of Year	<u><u>\$14.8</u></u>	<u><u>\$15.4</u></u>	<u><u>(\$0.6)</u></u>

**City of Pepper Pike**  
*Cuyahoga County*  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2009  
 Unaudited

*Governmental Activities*



Several revenue sources fund governmental activities with the City's income tax being the largest contributor. The City's income tax rate is one percent on gross income and has not changed since 1971 when the tax was originally instituted. Residents of the City who work in another community and pay the withholding tax for that community receive a fifty percent tax credit on their City tax for Pepper Pike, the credit limit being one percent. The City continues to enforce the delinquent letter program and the subpoena program to ensure compliance with the local tax laws. The City also conducts joint efforts with the Regional Income Tax Agency (RITA), the City's income tax collection agency, in tracking new taxpayers, especially contractors performing short term projects within the City. Property tax revenues come in a close second to income taxes in generating revenues for the year 2009. The median home sale price in the City per Cleveland Magazine in 2009 was \$455,000. During 2009, estate taxes which have been a significant revenue source over the years came in at \$0.7 million compared to \$2.0 million during 2008. Recent changes in State law now provide a higher percentage of revenue to the individual communities at the same time lowering the State's share. The State also changed the amount of estates exempt from the tax to \$338,333 effective January 1, 2002.



**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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Security of persons and property is the major activity of the City expenses. Currently, there are twenty full-time sworn officers in the Police Department. During 2006, the City was ranked as the number one community amongst sixty-six communities by an annual study conducted by Cleveland Magazine. The Department continued its strong emphasis on the training of its personnel to maintain their proficiency and to keep up with the rapidly changing laws, practices and technology. The Department established a Citizen's Police Academy for the residents, which is a ten-week course to provide them with a comprehensive insight into various daily tasks and operations performed by the Department. All cruisers are equipped with a mobile data terminal and an in-car video camera system which can record the video and audio from traffic stops, prisoner transports and crime scene information. This could help the City in defending frivolous law suits that may arise from these situations. The Police Department purchased an inexpensive the video conferencing system that allows a prisoner to be arraigned remotely by the Municipal Court Judge in lieu of being transported to court by an officer thus saving valuable time and money. The Police Department in conjunction with the local school board started a School Resource Officer Program allowing a permanently placed officer to interdict problems or issues involving students before they become criminal matters. In 2000, the jail was converted to a three-day holding facility to reduce the costs of operations of a full-fledged jail and the liabilities associated with running such a facility. Also, the Reverse 911 system installed at a total cost of \$41,767 during 2002 has been used to make routine and emergency telephone calls to all residences within the City and will also be able to provide daily check-up phone calls to homebound seniors to ensure their safety and well being. The court-sanctioned self-supporting juvenile diversion program which was put in effect in June 1999 continues to be a success. Other programs that the Police Department participated in and which has a regional impact are the Valley Enforcement Regional Council of Government which for the annual cost of \$7,000 per community is able to provide a centralized SWAT team, an Accident Investigation Unit, and a Child Abduction Response Team. The City also participated in the Internet Crimes Against Children Task Force with the Cuyahoga County Task Force. The Police Department generated approximately \$65,293 in revenues from enforcement of traffic and other local laws that went through the Shaker Heights Municipal Court system.

The Fire Department consists of twelve full-time and seventeen part-time fire fighters. All but one of these fire fighters are fully trained paramedics. Again, training plays a crucial role in the day to day operation of the Fire Department. Techniques such as driving rodeos, live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the men updated to perform their jobs more efficiently. The Department handled 923 calls for assistance with an average response time of 5 minutes and 42 seconds. Of these, 467 calls were for EMS and 456 for fire related incidents. The total overtime expense during 2009 was \$283,959 as compared to \$285,955 in 2008 and \$270,786 during 2007. During the 2009 May special elections the City had placed a 4 mill replacement levy on the ballot and this levy was overwhelmingly approved by the residents for the operation and upkeep of the Fire and EMS departments. The levy is generating approximately \$1.6 million in property taxes, which is \$200,000 more than the expiring levy. The total cost of operating the Fire and EMS Departments during 2009 was \$2.2 million with the general fund subsidizing the difference of \$0.4 million between the revenues generated by the property taxes and the actual expenses.

The City's Building Department, since getting certified in 2007, has generated additional revenues from inspection of commercial establishments. The total revenues generated, including deposits, increased from \$203,878 in 2005 to \$239,143 during 2009. The Department issued 19 permits during 2009 for new buildings and remodeling jobs for commercial buildings at a total valuation of \$5,840,013 and 6 permits for new residential homes valued at \$4,700,000. Current construction projects include a previously wooded property of approximately 118 acres which is being converted into 275 single family and multi-family high end homes. The average price of these homes is starting at \$400,000. Once fully built and occupied, the development is expected to generate approximately \$500,000 in additional income tax and property tax revenues.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The City also has an annual road program which entails major and minor resurfacing of the various streets. It also has a crack sealing and concrete repairs program all of which account for approximately \$650,000 in governmental expenses for the upkeep and maintenance of the roadways within the City limits. For the major resurfacing projects, the City has actively pursued and has been successful in obtaining grants and financial assistance from the Ohio Public Works Commission (OPWC). Since 1998, the City has been successful in obtaining in excess of \$1.8 million in grants or loans from the OPWC. These grants and loan assistance programs account for twenty to thirty percent of the actual costs of the project, the balance being borrowed from the open market by way of bond issues, which reduces the amount of borrowing the City has to undertake.

**The City's Funds**

Information about the City's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The City had several capital projects funds with deficit fund balances. These are caused by the recognition of expenditures on the modified accrual basis of accounting and the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, these deficits will be eliminated.

All governmental funds had total revenues of \$10.6 million and expenditures of \$14.7 million. Other financing sources and uses provided an additional \$3.5 million for operations. The net change in fund balance for the year was most significant in the general fund which showed a decrease of \$3.2 million. The total year end fund balance was \$1.6 million for all governmental funds.

*General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public, the budget is adopted at an object level by City Council. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. Council must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of fiscal 2009, the City amended its general fund budget several times. The Finance Department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the general fund, budget basis revenue was \$0.5 million below final budget estimates of \$7.3 million. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenues areas. The final appropriations of \$10.4 million was sufficient to meet the expenditures for the year, which ended up at \$9.6 million or \$0.8 million less than anticipated due to a savings experienced in various contracts for the annual road maintenance program and other areas like health insurance costs.

The City's ending unobligated budgetary fund balance was \$0.3 million higher than the final projected budgetary fund balance amount of \$0.5 million.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Debt Administration and Capital Assets**

***Debt***

At December 31, 2009, the City had \$10.2 million in outstanding long-term liabilities, of which \$9.0 million was in general obligation bonds. Table 4 summarizes the obligations outstanding.

Table 4  
 Outstanding Long-term Liabilities at Year End  
 (In Millions)

	<u>Governmental Activities</u>	
	2009	2008
General Obligation Bonds	\$9.0	\$6.0
OPWC Loans	0.9	1.0
Compensated Absences	0.3	0.3
Total	\$10.2	\$7.3

At December 31, 2009, the City's overall legal debt margin was \$32,069,798 with an unvoted debt margin of \$12,652,023. The City has an aggressive debt reduction strategy whereby most long term bonds are paid off within ten years as opposed to fifteen or twenty years. At year end, the outstanding general obligation bonded debt was \$8,950,000. In addition, the City had an outstanding balance of \$920,933 on two twenty-year interest free loans obtained from the Ohio Public Works Commission. There was also an amount of \$326,098 booked as compensated absences in the long-term debt obligations for accrued sick leave payable to the employees.

Also, the City has manuscript bonds which represent five separate water and sewer improvement issues in the form of manuscript bonds issued by the City. Manuscript bonds are bonds issued and purchased by the City and held until maturity as an investment vehicle whereby the City pays interest to the General Fund from the Debt Service Fund. This form of issue avoids the underwriting and insurance costs and is used primarily in projects which require minimal funding. These bonds are shown on the balance sheet as interfund receivables/payables between the General Fund and the Capital Projects Fund. At year end, the outstanding Special Assessment Manuscript bonds were \$199,683. Additional information concerning the City's manuscript debt can be found in Note 16 to the basic financial statements.

Additional information concerning the City's debt can be found in Notes 14 and 15 to the basic financial statements.

***Capital Assets***

At the end of 2009, the City had \$22.0 million invested in land, buildings, improvements, vehicles, equipment and infrastructure. Table 3 shows fiscal 2009 balances of Capital Assets as compared to 2008:

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

Table 3  
 Capital Assets at December 31  
 (Net of Depreciation, in Millions)

	Governmental Activities		
	2009	2008	Change
Land	\$0.3	\$0.3	\$0.0
Construction in Progress	3.0	1.5	1.5
Improvements to Land	0.1	0.1	0.0
Buildings and Improvements	3.3	3.3	0.0
Vehicles	1.7	1.7	0.0
Furniture, Fixtures and Equipment	0.3	0.2	0.1
Infrastructure			
Streets	6.7	7.6	(0.9)
Bridges	0.1	0.1	0.0
Sanitary Sewer System	6.5	4.4	2.1
Total Capital Assets	\$22.0	\$19.2	\$2.8

Net of depreciation, the balances for the above capital assets increased by \$2.8 million. The construction in progress was higher by \$1.5 million, due to additional expenditures on the northwest quadrant project and Windy Hill sewer. There was an increase of \$2.1 million in sanitary sewers due to the construction of the Northwest Quadrant Sanitary Sewer System which impacted approximately 400 homes by converting them from septic tanks to sanitary sewers. There was a \$0.9 million decrease in streets due to depreciation taken in 2009. There was no significant change in land, improvements to land, buildings and improvements, vehicles, and furniture, fixtures, and equipment. The City continued its aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks, ambulances, rubbish trucks, etc. are planned for in advance by the respective department heads and a scheduled maintenance and replacement time table is followed to provide peak performance for the life of the asset. Police cars are usually replaced every eighteen months or when they have been driven approximately 80,000 miles. The older vehicles are either traded in to the dealers or sold to the highest bidder in the open market.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack sealed and in the case of concrete roads, either replaced or repaired. After approval from Council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the current operating funds of the City. In the case of a major resurfacing project on one of the main arteries in the City, as mentioned, the City has effectively pursued external sources of funding twenty to thirty percent of the project in the form of grants and loan assistance programs from State Issue II funds thereby reducing the total amount to be borrowed to provide the matching funds. Additional information concerning the City's capital assets can be found in Note 10 to the basic financial statements.

**City of Pepper Pike**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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**Current Related Financial Activities**

The City is facing some financial challenges as are most other communities in the County. City Council and the administration has taken steps to counter these challenges by putting in measures to cut expenditures and also increase revenues. The City has also established an oversight committee to meet regularly with the Finance Director, review the financial reports in detail, and report back to the Council every month. The City's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City with full disclosure of the financial position of the City.

**Contacting the City of Pepper Pike's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director Prashant Shah, CPA, at the City of Pepper Pike, 28000 Shaker Boulevard, Pepper Pike, Ohio 44124, phone number (216) 831-8500.

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**City of Pepper Pike, Ohio***Cuyahoga County**Statement of Net Assets**December 31, 2009*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,813,858
Accounts Receivable	142,785
Intergovernmental Receivable	726,709
Prepaid Items	68,891
Materials and Supplies Inventory	34,763
Income Taxes Receivable	1,039,997
Property Taxes Receivable	3,366,494
Special Assessments Receivable	285,598
Nondepreciable Capital Assets	3,272,586
Depreciable Capital Assets, Net	<u>18,687,963</u>
<i>Total Assets</i>	<u>29,439,644</u>
<b>Liabilities</b>	
Accounts Payable	101,705
Contracts Payable	48,368
Accrued Wages	294,001
Matured Compensated Absences Payable	28,223
Intergovernmental Payable	431,884
Deferred Revenue	3,153,547
Accrued Interest Payable	52,173
Vacation Benefits Payable	343,170
Long-Term Liabilities:	
Due Within One Year	703,407
Due In More Than One Year	<u>9,524,906</u>
<i>Total Liabilities</i>	<u>14,681,384</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	12,668,746
Restricted for:	
Debt Service	300,547
Other Purposes	683,387
Unrestricted	<u>1,105,580</u>
<i>Total Net Assets</i>	<u><u>\$14,758,260</u></u>

See accountant's compilation report

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

**City of Pepper Pike**  
*Cuyahoga County*  
*Statement of Activities*  
*For the Year Ended December 31, 2009*

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Assessments	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
General Government	\$2,115,678	\$81,993	\$0	\$892,182	(\$1,141,503)
Security of Persons and Property:					
Police	3,964,737	164,739	15,125	0	(3,784,873)
Fire	2,227,443	129,701	198,794	0	(1,898,948)
Public Health Services	31,947	0	0	0	(31,947)
Community Environment	301,938	13,479	7,854	0	(280,605)
Basic Utility Services	1,416,159	0	0	0	(1,416,159)
Transportation	915,239	84,670	283,258	0	(547,311)
Interest and Fiscal Charges	332,406	0	0	0	(332,406)
<i>Total Governmental Activities</i>	<u>\$11,305,547</u>	<u>\$474,582</u>	<u>\$505,031</u>	<u>\$892,182</u>	<u>(9,433,752)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,311,404
Debt Service	446,695
Fire	1,350,552
Police	223,056
Municipal Income Taxes Levied for General Purposes	3,946,715
Estate Taxes	676,130
Admissions Taxes	279,130
Grants and Entitlements not Restricted to Specific Programs	419,008
Interest	69,409
Miscellaneous	96,564

*Total General Revenues* 8,818,663

Change in Net Assets (615,089)

*Net Assets Beginning of Year* 15,373,349

*Net Assets End of Year* \$14,758,260

See accountant's compilation report  
 See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2009*

	General	Fire Levy	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and					
Cash Equivalents	\$929,310	\$7,193	\$242,470	\$575,601	\$1,754,574
Property Taxes Receivable	1,345,927	1,418,443	389,610	212,514	3,366,494
Income Taxes Receivable	1,039,997	0	0	0	1,039,997
Accounts Receivable	90,048	52,737	0	0	142,785
Intergovernmental Receivable	446,942	89,421	30,081	160,265	726,709
Interfund Receivable	722,083	0	0	0	722,083
Materials and Supplies Inventory	34,763	0	0	0	34,763
Prepaid Items	68,891	0	0	0	68,891
Special Assessments Receivable	0	0	85,915	199,683	285,598
<i>Total Assets</i>	<u>\$4,677,961</u>	<u>\$1,567,794</u>	<u>\$748,076</u>	<u>\$1,148,063</u>	<u>\$8,141,894</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$90,655	\$3,394	\$0	\$7,656	\$101,705
Contracts Payable	34,738	0	0	13,630	48,368
Accrued Wages	202,754	91,247	0	0	294,001
Intergovernmental Payable	184,730	45,982	0	201,172	431,884
Matured Compensated Absences Payable	28,223	0	0	0	28,223
Interfund Payable	0	0	0	722,083	722,083
Deferred Revenue	2,315,632	1,551,924	505,606	545,069	4,918,231
Accrued Interest Payable	0	0	0	879	879
<i>Total Liabilities</i>	<u>2,856,732</u>	<u>1,692,547</u>	<u>505,606</u>	<u>1,490,489</u>	<u>6,545,374</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	219,929	4,522	0	12,052	236,503
Reserved for Advances	199,683	0	0	0	199,683
Unreserved					
Undesignated, Reported in:					
General Fund	1,401,617	0	0	0	1,401,617
Special Revenue Funds (Deficit)	0	(129,275)	0	362,477	233,202
Debt Service Fund	0	0	242,470	0	242,470
Capital Projects Funds (Deficit)	0	0	0	(716,955)	(716,955)
<i>Total Fund Balances (Deficit)</i>	<u>1,821,229</u>	<u>(124,753)</u>	<u>242,470</u>	<u>(342,426)</u>	<u>1,596,520</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,677,961</u>	<u>\$1,567,794</u>	<u>\$748,076</u>	<u>\$1,148,063</u>	<u>\$8,141,894</u>

See accountant's compilation report  
 See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2009*

<b>Total Governmental Fund Balances</b>	<b>\$1,596,520</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,960,549
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	212,947
Income Taxes	753,157
Estate Taxes	72,449
Special Assessments	285,598
Intergovernmental	396,473
Charges for Services	44,060
Total	1,764,684
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included as part of governmental activities in the statement of net assets.	59,284
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(51,294)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(343,170)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(8,950,000)
Premium on Bonds	(31,282)
OPWC Loans	(920,933)
Compensated Absences	(326,098)
Total	(10,228,313)
<i>Net Assets of Governmental Activities</i>	<b>\$14,698,976</b>

See accountant's compilation report  
 See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Fire Levy	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,297,130	\$1,329,887	\$445,034	\$221,104	\$3,293,155
Municipal Income Taxes	3,994,028	0	0	0	3,994,028
Estate Taxes	615,662	0	0	0	615,662
Admissions Taxes	279,130	0	0	0	279,130
Charges for Services	50,443	115,548	0	0	165,991
Fees, Licenses and Permits	204,750	0	0	0	204,750
Fines and Forfeitures	49,278	0	0	0	49,278
Intergovernmental	367,681	182,343	60,162	320,785	930,971
Special Assessments	0	0	599,899	291,736	891,635
Interest	61,095	0	0	8,314	69,409
Rentals	40,410	0	0	0	40,410
Contributions and Donations	0	0	0	100	100
Other	68,686	1,000	26,424	454	96,564
<i>Total Revenues</i>	<u>7,028,293</u>	<u>1,628,778</u>	<u>1,131,519</u>	<u>842,493</u>	<u>10,631,083</u>
<b>Expenditures</b>					
Current:					
General Government	1,796,291	0	354,232	0	2,150,523
Security of Persons and Property:					
Police	3,589,203	0	0	665,334	4,254,537
Fire	0	2,030,867	0	0	2,030,867
Public Health Services	32,048	0	0	0	32,048
Community Environment	296,328	0	0	6,040	302,368
Basic Utility Services	1,823,922	0	0	0	1,823,922
Transportation	1,859,474	0	0	217,598	2,077,072
Capital Outlay	0	0	0	1,124,257	1,124,257
Debt Service:					
Principal Retirement	0	0	568,407	0	568,407
Interest and Fiscal Charges	0	0	278,742	44,608	323,350
<i>Total Expenditures</i>	<u>9,397,266</u>	<u>2,030,867</u>	<u>1,201,381</u>	<u>2,057,837</u>	<u>14,687,351</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,368,973)</u>	<u>(402,089)</u>	<u>(69,862)</u>	<u>(1,215,344)</u>	<u>(4,056,268)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	7,000	0	0	0	7,000
General Obligation Bonds Issued	0	0	0	3,460,000	3,460,000
Premium on General Obligation Bonds	0	0	31,282	0	31,282
Transfers In	0	353,000	261,056	475,135	1,089,191
Transfers Out	(828,135)	0	0	(261,056)	(1,089,191)
<i>Total Other Financing Sources (Uses)</i>	<u>(821,135)</u>	<u>353,000</u>	<u>292,338</u>	<u>3,674,079</u>	<u>3,498,282</u>
<i>Net Change in Fund Balances</i>	<u>(3,190,108)</u>	<u>(49,089)</u>	<u>222,476</u>	<u>2,458,735</u>	<u>(557,986)</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>5,011,337</u>	<u>(75,664)</u>	<u>19,994</u>	<u>(2,801,161)</u>	<u>2,154,506</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,821,229</u>	<u>(\$124,753)</u>	<u>\$242,470</u>	<u>(\$342,426)</u>	<u>\$1,596,520</u>

See accountant's compilation report  
See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**

*Cuyahoga County*

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** (\$557,986)

*Amounts reported for governmental activities in the statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	4,818,806	
Depreciation	<u>(2,022,476)</u>	
 Total		 2,796,330

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (15,838)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	38,552	
Income Taxes	(47,313)	
Estate Taxes	60,468	
Special Assessments	547	
Intergovernmental	(7,032)	
Charges for Services	<u>14,153</u>	
 Total		 59,375

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Bonds Issued	(3,460,000)	
Premium on Bonds	<u>(31,282)</u>	
 Total		 (3,491,282)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 568,407

The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities. 59,284

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental, an interest expenditure is reported when due. (9,056)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(11,528)	
Vacation Benefits Payable	<u>(12,795)</u>	
 Total		 <u>(24,323)</u>

*Change in Net Assets of Governmental Activities* (\$615,089)

See accountant's compilation report  
See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,474,611	\$1,382,940	\$1,297,130	(\$85,810)
Municipal Income Taxes	4,509,256	4,228,934	3,966,532	(262,402)
Estate Taxes	493,677	462,987	434,259	(28,728)
Admissions Tax	270,952	254,108	238,341	(15,767)
Charges for Services	57,345	53,780	50,443	(3,337)
Fees, Licenses and Permits	234,470	219,894	206,250	(13,644)
Fines and Forfeitures	57,756	54,166	50,805	(3,361)
Intergovernmental	418,466	392,451	368,100	(24,351)
Interest	97,096	91,060	85,410	(5,650)
Rentals	45,939	43,083	40,410	(2,673)
Other	146,946	137,811	129,260	(8,551)
<i>Total Revenues</i>	<u>7,806,514</u>	<u>7,321,214</u>	<u>6,866,940</u>	<u>(454,274)</u>
<b>Expenditures</b>				
Current:				
General Government	1,746,645	1,951,093	1,824,336	126,757
Security of Persons and Property:				
Police	3,664,857	3,874,330	3,583,674	290,656
Public Health Services	32,398	35,398	32,423	2,975
Community Environment	302,890	320,073	297,347	22,726
Basic Utility Services	1,781,199	1,965,389	1,850,836	114,553
Transportation	2,714,221	2,223,027	1,988,508	234,519
<i>Total Expenditures</i>	<u>10,242,210</u>	<u>10,369,310</u>	<u>9,577,124</u>	<u>792,186</u>
<i>Excess of Revenues</i> <i>Under Expenditures</i>	<u>(2,435,696)</u>	<u>(3,048,096)</u>	<u>(2,710,184)</u>	<u>337,912</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	236,460	221,760	208,000	(13,760)
Advances Out	(522,400)	(522,400)	(522,400)	0
Transfers Out	(695,033)	(845,033)	(828,135)	16,898
<i>Total Other Financing Sources (Uses)</i>	<u>(980,973)</u>	<u>(1,145,673)</u>	<u>(1,142,535)</u>	<u>3,138</u>
<i>Net Change in Fund Balance</i>	<u>(3,416,669)</u>	<u>(4,193,769)</u>	<u>(3,852,719)</u>	<u>341,050</u>
<i>Fund Balance Beginning of Year</i>	4,326,647	4,326,647	4,326,647	0
Prior Year Encumbrances Appropriated	<u>366,129</u>	<u>366,129</u>	<u>366,129</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,276,107</u></u>	<u><u>\$499,007</u></u>	<u><u>\$840,057</u></u>	<u><u>\$341,050</u></u>

See accountant's compilation report  
See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$2,261,037	\$1,492,362	\$1,329,887	(\$162,475)
Charges for Services	209,777	138,460	123,386	(15,074)
Intergovernmental	310,015	204,620	182,343	(22,277)
Other	1,700	1,122	1,000	(122)
<i>Total Revenues</i>	2,782,529	1,836,564	1,636,616	(199,948)
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	2,207,658	2,079,458	2,078,803	655
<i>Excess of Revenues Over (Under) Expenditures</i>	574,871	(242,894)	(442,187)	(199,293)
<b>Other Financing Sources</b>				
Transfers In	600,161	396,126	353,000	(43,126)
<i>Net Change in Fund Balance</i>	1,175,032	153,232	(89,187)	(242,419)
<i>Fund Balance Beginning of Year</i>	183	183	183	0
Prior Year Encumbrances Appropriated	89,717	89,717	89,717	0
<i>Fund Balance End of Year</i>	<u>\$1,264,932</u>	<u>\$243,132</u>	<u>\$713</u>	<u>(\$242,419)</u>

See accountant's compilation report  
See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*December 31, 2009*

	Self Insurance
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$59,284
<b>Net Assets</b>	
Unrestricted	\$59,284

See accountant's compilation report  
 See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Revenues,*  
*Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Year Ended December 31, 2009*

	Self Insurance
<b>Operating Revenues</b>	
Charges for Services	\$207,647
<b>Operating Expenses</b>	
Purchased Services	148,363
<i>Change in Net Assets</i>	59,284
<i>Net Assets Beginning of Year</i>	0
<i>Net Assets End of Year</i>	\$59,284

See accountant's compilation report  
 See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Year Ended December 31, 2009*

	<u>Self Insurance</u>
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$207,647
Cash Payments to Suppliers for Goods and Services	(148,363)
<i>Net Increase in Cash and Cash Equivalents</i>	59,284
<i>Cash and Cash Equivalents Beginning of Year</i>	0
<i>Cash and Cash Equivalents End of Year</i>	\$59,284

See accountant's compilation report

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2009*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$275,948</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$275,948</u></u>
See accountant's compilation report	
See accompanying notes to the basic financial statements	

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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**Note 1 – Description of the City and Reporting Entity**

The City of Pepper Pike (the “City”) is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on January 1, 1967. The City is governed under the mayor-council form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the legal entity of the City (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.”

The primary government includes the City departments and agencies that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair and general administrative services.

Water service within the City is provided by the City of Cleveland Water Department and is purchased directly by the consumers. Approximately 800 residential homes, schools and business are served by a sewage collection system that is owned by the City and operated by the County Sanitary Engineer. Approximately 300 of the 800 residential homes have the sewage treated at a plant owned by the Northeast Ohio Regional Sewer District. The remaining homes, schools and businesses operate and maintain private sewage treatment systems that are inspected by the Cuyahoga County Board of Health. The City owns and maintains storm sewers and culverts within the public right-of-way and designated easements for the collection and discharge of storm water.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Northeast Ohio Public Energy Council, the Valley Enforcement Regional Council of Governments, and the Ohio Association of Public Treasurers Rating Pool, which are defined as a jointly governed organizations and an insurance purchasing pool. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest nor responsibility on the part of the participating governments. These organizations are discussed in Notes 18 and 19 to the basic financial statements.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as governmental, proprietary or fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Pepper Pike and/or the general laws of Ohio.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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***Fire Levy Special Revenue Fund*** – The fire levy fund is used to account for property tax revenues received from a fire levy and transfers from the general fund. Monies are used to maintain fire equipment and for salaries of firemen.

***Bond Retirement Fund*** – The bond retirement fund receives property taxes and special assessments for the payment of general long-term debt principal, interest and related costs for various City improvements.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The City only has an internal service fund.

***Internal Service Fund*** The internal service fund accounts for financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund is a self insurance fund that accounts for medical benefits of the City's employees.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for tree planting and construction deposits.

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its internal service fund.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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***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 resolution, 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 Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriation resolution 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 resolution 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 Council during the year.

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2009, investments were limited to federal home loan bank bonds, federal home loan mortgage corporation notes and STAR Ohio. Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office. STAR Ohio 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 Investments 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, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amounted to \$61,095, which includes \$24,333 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Capital Assets***

The City’s only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Improvements to Land	20 years
Buildings and Improvements	30-75 years
Vehicles	10 years
Furniture, Fixtures and Equipment	10 years
Infrastructure	20-100 years

The City’s infrastructure consists of streets, bridges and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net assets rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of accumulated service.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in an account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

***Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and long-term advances.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street construction, maintenance and repair and the operation of the fire department.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***Interfund Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses 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.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration that are either unusual in nature or infrequent in occurrence.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 - Change in Accounting Principles**

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

**Note 4 - Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and fire levy.

	Net Change in Fund Balance	
	General	Fire Levy
GAAP Basis	(\$3,190,108)	(\$49,089)
Net Adjustment for Revenue Accruals	15,332	7,838
Beginning Fair Value Adjustments for Investments	26,875	0
Ending Fair Value Adjustment for Investments	(2,560)	0
Advances Out	(522,400)	0
Net Adjustment for Expenditure Accruals	106,518	(41,456)
Encumbrances	(286,376)	(6,480)
Budget Basis	(\$3,852,719)	(\$89,187)

**Note 5 – Fund Deficits**

Fund balances at December 31, 2009, included the following individual fund deficits:

***Special Revenue Funds***

Fire Levy	\$124,753
Police Pension	93,400
Fire Pension	106,826

***Capital Projects Funds***

Northwest Quadrant	24,000
Pepper Pike Waste Water Treatment Plant	252,624
Brainard Road Sewerline	79,284
Lander/Emerson Waterline	40,185
Kersdale Road Waterline	81,093
Thornapple Waterline	97,481
Windy Hill Waterline	133,088

The fire levy, police pension and fire pension special revenue funds' and the Northwest Quadrant, Pepper Pike Waste Water Treatment Plant, Thornapple waterline and the Windy Hill waterline capital projects funds' deficits are caused by the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on the cash basis. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Brainard Road sewer line, Lander/Emerson waterline and Kersdale Road waterline capital projects funds' deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, the deficit will be eliminated.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

**Note 6 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active monies are public monies necessary to meet current demands on the treasury. Active monies must be maintained either as cash in the City 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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 City, and must be purchased with the expectation that it will be held to maturity.

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$39,924 of the City’s bank balance of \$968,530 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City 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 City 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**

Investments are reported at fair value. As of December 31, 2009, the City had the following investments:

	Maturity			Total
	Less Than Six Months	More Than Six Months But Less Than One Year	More Than One Year But Less Than Three Years	
Federal Home Loan Bank Bonds	\$502,255	\$500,110	\$0	\$1,002,365
Federal Home Loan Mortgage Corporation Notes	0	0	250,195	250,195
STAR Ohio	26,282	0	0	26,282
<b>Total Portfolio</b>	<b>\$528,537</b>	<b>\$500,110</b>	<b>\$250,195</b>	<b>\$1,278,842</b>

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

**Credit Risk** The Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Corporation Notes carry a rating of AAA by Standard & Poor's and STAROhio carries a rating of AAA by Standard & Poor's. The City has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2009:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank Bonds	78.38 %
Federal Home Loan Mortgage Corporation Notes	19.56

**Note 7 - Receivables**

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and estate taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

All receivables except property taxes and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$249,800 in the special assessment bond retirement fund. At December 31, 2009 the amount of delinquent special assessments was \$30,153.

**Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The full tax rate for all City operations for the year ended December 31, 2009, was \$9.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$357,158,250
Other Real Estate	31,197,250
Tangible Personal Property	
Public Utility	5,770,150
Total Assessed Values	\$394,125,650

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Pepper Pike. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and a revenue while the remainder of the receivable is deferred.

***Intergovernmental Receivables***

A summary of intergovernmental receivables as of December 31, 2009 follows:

Estate Tax	\$289,794
Homestead and Rollback	227,292
Gasoline Tax	102,461
Local Government	61,692
Permissive Tax	40,010
Community Recycle Grant	2,754
Court Fines	2,706
Total	\$726,709

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

***Income Taxes***

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. Income tax revenue is credited entirely to the general fund.

**Note 8 - Contingencies**

***Litigation***

The City is a party to legal proceedings seeking damages. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

***Grants***

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2009.

**Note 9 – Other Employee Benefits**

***Compensated Absences***

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation.

Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Unused sick leave can be accumulated up to 120 work days, unless more than 120 work days are approved by the Mayor. Upon retirement, employees with 20 or more years of service shall be paid at the rate of one day for every two days accumulated.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<b><i>Capital Assets not being Depreciated</i></b>				
Land	\$271,350	\$0	\$0	\$271,350
Construction in Progress	1,549,315	1,911,180	(459,259)	3,001,236
<b><i>Total Capital Assets not being Depreciated</i></b>	<b>1,820,665</b>	<b>1,911,180</b>	<b>(459,259)</b>	<b>3,272,586</b>
<b><i>Capital Assets being Depreciated</i></b>				
Improvements to Land	\$221,806	\$0	\$0	\$221,806
Buildings and Improvements	4,370,483	72,947	(40,475)	4,402,955
Vehicles	3,512,045	299,302	(102,586)	3,708,761
Furniture, Fixtures and Equipment	1,720,589	181,765	(43,767)	1,858,587
Infrastructure				
Streets	28,975,154	600,720	0	29,575,874
Bridges	249,605	0	0	249,605
Sanitary Sewers	5,603,450	2,212,151	0	7,815,601
<b><i>Total Capital Assets being Depreciated</i></b>	<b>44,653,132</b>	<b>3,366,885</b>	<b>(186,828)</b>	<b>47,833,189</b>
<b><i>Less: Accumulated Depreciation</i></b>				
Improvements to Land	(134,518)	(7,965)	0	(142,483)
Buildings and Improvements	(1,074,466)	(83,881)	31,197	(1,127,150)
Vehicles	(1,834,109)	(268,979)	102,586	(2,000,502)
Furniture, Fixtures and Equipment	(1,533,536)	(98,328)	37,207	(1,594,657)
Infrastructure				
Streets	(21,365,218)	(1,448,758)	0	(22,813,976)
Bridges	(118,131)	(2,496)	0	(120,627)
Sanitary Sewers	(1,233,762)	(112,069)	0	(1,345,831)
<b><i>Total Accumulated Depreciation</i></b>	<b>(27,293,740)</b>	<b>(2,022,476) *</b>	<b>170,990</b>	<b>(29,145,226)</b>
<b><i>Total Capital Assets being Depreciated, Net</i></b>	<b>17,359,392</b>	<b>1,344,409</b>	<b>(15,838)</b>	<b>18,687,963</b>
<b><i>Total Capital Assets, Net</i></b>	<b>\$19,180,057</b>	<b>\$3,255,589</b>	<b>(\$475,097)</b>	<b>\$21,960,549</b>

\*Depreciation expense was charged to governmental activities as follows:

General Government	\$80,379
Security of Persons and Property:	
Police	47,670
Fire	121,058
Community Development	375
Basic Utility Services	206,220
Transportation	1,566,774
<b>Total Depreciation Expense</b>	<b>\$2,022,476</b>

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

**Note 11 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2009 was 14.0 percent. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$250,337, \$212,929 and \$242,455 respectively; 81.0 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$1,474 made by the City and \$1,053 made by the plan members.

***Ohio Police and Fire Pension Fund***

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. The City's pension contributions to OP&F for police and firefighters were \$197,950 and \$216,334 for the year ended December 31, 2009, \$196,701 and \$213,459 for the year ended December 31,

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

2008, and \$191,121 and \$205,505 for the year ended December 31, 2007. 69.0 percent has been contributed for police and 64.3 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

**Note 12 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of 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 require, 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 writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, state and local employers contributed 14.0 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$181,013, \$212,929 and \$159,701 respectively; 81.0 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

***Ohio Police and Fire Pension Fund***

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the OP&F, 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 OP&F 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 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees 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 City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$104,797 and \$84,653 for the year ended December 31, 2009, \$104,136 and \$83,527 for the year ended December 31, 2008, and \$101,182 and \$80,415 for the year ended December 31, 2007. 69.0 percent has been contributed for police and 64.3 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

**Note 13 - Risk Management**

***Property and Liability***

The City 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 the year, the City contracted with Selective Insurance Company for the following types of insurance:

Type	Deductible	Coverage
Property	\$1,000	\$11,141,147
Boiler and Machinery	1,000	11,141,147
Inland Marine	500	376,460
Vehicle	500	1,000,000
General Liability	N/A	1,000,000
EMT Liability	N/A	1,000,000
Law Enforcement	5,000	1,000,000
Public Officials Liability	5,000	1,000,000
Umbrella Liability	N/A	10,000,000
Leased/Rented Equipment	500	50,000
Employee Dishonesty	N/A	10,000

Settled claims have not exceeded this commercial coverage in any of the past four years. There were no significant reductions in coverage from the prior year.

***Employee Insurance Benefits***

Beginning in 2009, medical insurance is offered to employees through a self-insurance internal service fund. The City's monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$35,000 per employee, per year. There is no claims liability reported in the internal service fund as of December 31, 2009, due to the City only being self-insured since December 1, 2009, and not having received any processed claims yet. Governmental Accounting Standards Board Statement No. 30 requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

The City participates in the Ohio Association of Public Treasurers Rating Pool (OAPT) for worker's compensation. The intent of the OAPT is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OAPT. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OAPT. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OAPT.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

**Note 14 - Long-Term Obligations**

A schedule of changes in bonds and other long-term obligations of the City during 2009 follows:

	Principal Outstanding 12/31/2008	Additions	Deletions	Principal Outstanding 12/31/2009	Amounts Due In One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
1997 5.35% Brookwood Water					
Serial Bonds	\$445,000	\$0	(\$50,000)	\$395,000	\$50,000
2001 2.50% - 4.00% Road Improvement					
Serial Bonds	895,000	0	(300,000)	595,000	300,000
2007 4.00 - 5.00 % Various Purpose					
Serial Bonds	1,620,000	0	(120,000)	1,500,000	125,000
Term Bonds	1,770,000	0	0	1,770,000	0
2008 3.00 - 5.00 % Street Improvement					
Serial Bonds	620,000	0	(30,000)	590,000	45,000
Term Bonds	640,000	0	0	640,000	0
2009 2.00 - 4.13 % Street Improvement					
Serial Bonds	0	3,460,000	0	3,460,000	115,000
Premium on Bonds	0	31,282	0	31,282	0
<b>Total General Obligation Bonds</b>	<b>5,990,000</b>	<b>3,491,282</b>	<b>(500,000)</b>	<b>8,981,282</b>	<b>635,000</b>
<b>OPWC Loans</b>					
1996 0% Pinetree Water	210,434	0	(26,304)	184,130	26,304
2007 0% Brainard Road	778,906	0	(42,103)	736,803	42,103
<b>Total OPWC Loans</b>	<b>989,340</b>	<b>0</b>	<b>(68,407)</b>	<b>920,933</b>	<b>68,407</b>
<b>Other Long-term Obligations</b>					
Compensated Absences	314,570	157,285	(145,757)	326,098	0
<b>Total Governmental Activities</b>	<b>\$7,293,910</b>	<b>\$3,648,567</b>	<b>(\$714,164)</b>	<b>\$10,228,313</b>	<b>\$703,407</b>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. The Ohio Public Works Commission (OPWC) projects are being paid from the bond retirement debt service fund. Compensated absences will be paid from the general and fire levy special revenue fund.

On September 19, 1997, the City issued \$995,000 in general obligation bonds for the purpose of constructing a water line on Brookwood Road. The bonds were issued for a twenty year period with a final maturity on December 19, 2017.

On November 1, 2001, the City issued \$2,995,000 in general obligations bonds for resurfacing Fairmount Boulevard (\$1,335,000) and South Woodland (\$1,660,000). The bonds were issued for a ten year period with a final maturity on December 1, 2011.

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

On September 20, 2007, the City issued \$3,475,000 in general obligations bonds for Brainard Road storm sewer (\$458,000) and water line projects (\$428,000), construction of water pump stations on Fairmont Brainard Road (\$672,000) and Brainard Road (\$425,000) and Brainard Road Relocation project (\$1,492,000). The general obligation bonds consist of serial and term bonds in the amounts of \$1,705,000 and \$1,770,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2020	\$190,000
2021	200,000
Total	\$390,000

The remaining principal amount of the term bonds (\$205,000) will mature at the stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2023	\$210,000
2024	230,000
2025	235,000
2026	245,000
Total	\$920,000

The remaining principal amount of the term bonds (\$255,000) will mature at the stated maturity on December 1, 2027.

On September 17, 2008, the City issued \$1,260,000 in general obligations bonds for the Pepper Hills Wastewater Treatment Plant (\$852,000) and the Cedar Road Sewer (\$408,000). The general obligation bonds consist of serial and term bonds in the amounts of \$620,000 and \$640,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2028.

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2021	\$65,000
2022	75,000
2023	75,000
Total	\$215,000

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

The remaining principal amount of the term bonds (\$75,000) will mature at the stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2025	\$80,000
2026	85,000
2027	90,000
Total	<u>\$255,000</u>

The remaining principal amount of the term bonds (\$95,000) will mature at the stated maturity on December 1, 2028.

On September 22, 2009, the City issued \$3,460,000 in street improvement bonds. These bonds were issued to help retire \$3,708,000 of notes issued for improvements to the Northwest Quadrant. The general obligation bonds will be paid from property and income taxes from the general obligation bond retirement debt service fund. The bonds were issued for a twenty year period with a final maturity on December 1, 2029.

On July 1, 1996, the City entered into \$526,579 in an OPWC loan for the installation of a waterline on Pinetree Road. The loan is a twenty year interest free with a final maturity on July 1, 2016.

On April 4, 2007, the City entered into \$842,061 in an OPWC loan to help finance the Brainard Road Relocation project. The loan is a twenty year interest free with a final maturity on January 1, 2027.

As of December 31, 2009, the City's overall legal debt margin was \$32,069,798. The unvoted legal debt margin was \$12,652,023. Principal and interest requirements to retire the long-term general obligation bonds and the OPWC loans as of December 31, 2009 are as follows:

	General Obligation Bonds				OPWC Loan
	Serial		Term		
	Principal	Interest	Principal	Interest	
2010	\$635,000	\$247,745	\$0	\$0	\$68,407
2011	650,000	226,707	0	0	68,407
2012	375,000	205,570	0	0	68,407
2013	375,000	195,657	0	0	68,407
2014	395,000	185,620	0	0	68,407
2015-2019	2,030,000	761,003	0	0	263,125
2020-2024	975,000	34,762	1,325,000	444,475	210,515
2025-2029	1,105,000	0	1,085,000	119,500	105,258
Total	<u>\$6,540,000</u>	<u>\$1,857,064</u>	<u>\$2,410,000</u>	<u>\$563,975</u>	<u>\$920,933</u>

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

**Note 15 – Notes Payable**

A summary of the note transactions for the year ended December 31, 2009 follows:

	Outstanding 12/31/2008	Issued	Retired	Outstanding 12/31/2009
1.00% Sanitary Sewer Improvement Notes				
- Maturing October 14, 2009	\$0	\$3,708,000	(\$3,708,000)	\$0
1.95% Sanitary Sewer Improvement Notes				
- Maturing June 17, 2009	3,655,000	0	(3,655,000)	0
<b>Total</b>	<u>\$3,655,000</u>	<u>\$3,708,000</u>	<u>(\$7,363,000)</u>	<u>\$0</u>

In 2009, the City issued \$3,708,000 to refinance the notes that matured on June 17, 2009. These notes helped finance the reconstruction of storm sewers in the Northwest Quadrant. Bonds were issued to retire these notes on the maturity date of October 14, 2009.

In 2008, the City issued \$3,655,000 to refinance a portion of the notes that matured on September 18, 2008. These notes helped finance the reconstruction of storm sewers in the Northwest Quadrant. These notes matured on June 17, 2009.

All notes are backed by the full faith and credit of the City of Pepper Pike and mature within one year. The note liability is reflected in the fund which received the proceeds and will repay the debt. The notes are generally issued in anticipation of long-term bond financing and refinanced until such bonds are issued.

**Note 16 - Interfund Transfers and Balances**

***Interfund Transfers***

Transfers made during the year ended December 31, 2009 were as follows:

Transfer To	Transfer From		Total All Funds
	General	Other Governmental Funds	
Fire Levy	\$353,000	\$0	\$353,000
Other Governmental Funds:			
Police Pension	204,000	0	204,000
Fire Pension	190,000	0	190,000
Bond Retirement Fund	0	261,056	261,056
Cedar Road Sewers	29,491	0	29,491
Northwest Quadrant	51,644	0	51,644
<b>Total Other Governmental Funds</b>	<u>475,135</u>	<u>261,056</u>	<u>736,191</u>
<b>Total All Funds</b>	<u>\$828,135</u>	<u>\$261,056</u>	<u>\$1,089,191</u>

The general fund transfer to the fire levy special revenue fund was to subsidize the revenue from the 4 mill fire levy which was not sufficient to cover the expenditures in the fire levy fund for 2009. The general fund transfer to the police pension and fire pension special revenue funds were to subsidize the .3 mill police pension levy and .3 mill fire pension levy which were not sufficient to cover the City's annual liabilities with

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

regards to the City’s contributions to these pension funds. The general fund transfers to the Cedar Road sewers and northwest quadrant capital projects funds’ were to help support project capital purchases. The Brainard Road waterline, pepper hills waste water treatment plant, Fairmont/Brainard pump station and the Brainard Road pump station capital projects funds’ transfers to the bond retirement fund were made for debt repayment.

***Interfund Balances***

On the fund financial statements interfund balances at December 31, 2009 were:

	Receivable		Payable	
	Manuscript Notes	Advances To Other Funds	Manuscript Notes	Advances From Other Funds
<b>Major Funds</b>				
General	\$199,683	\$522,400	\$0	\$0
<b>Nonmajor Capital Project Funds</b>				
Pepper Pike Wastewater Treatment				
Plant and East Road	0	0	0	248,500
Brainard Road Sewer	0	0	78,906	0
Lander/Emerson Waterline	0	0	40,000	0
Kersdale Road Waterline	0	0	80,777	0
Northwest Quadrant	0	0	0	24,000
Thornapple Water Main	0	0	0	101,500
Windy Hill Water Main	0	0	0	148,400
<i>Totals</i>	<u>\$199,683</u>	<u>\$522,400</u>	<u>\$199,683</u>	<u>\$522,400</u>

The Brainard Road sewer interfund balance represents a manuscript note that was issued on September 26, 1996 at 5.70 percent. This note is due on December 1, 2016 and was used for improvements to the Brainard Road sewer.

The lander/emerson waterline interfund balance represents a manuscript note that was issued on June 1, 1999 at 5.35 percent. This note is due on December 1, 2019 and was used for renovations to the lander/emerson waterline.

The Kersdale Road waterline interfund balance represents a manuscript note that was issued on June 1, 2000 at 4.70 percent. This note is due on December 1, 2021 and was used for improvements to the Kersdale Road waterline.

The manuscript notes were issued by the City and purchased by the general fund as an investment. The remaining interfund balances at December 31, 2009 were made to support projects in the northwest quadrant, pepper pike wastewater treatment plant and East Road, thornapple water main, and windy hill water main capital projects funds’ pending the receipt of assessments and grant monies that will be used to repay the loans. All are expected to be paid within one year.

**Note 17 - Outstanding Contractual Commitments**

The City entered into various contracts with construction contractors during the year. Of the total amounts authorized by Council ordinance, the following amount remains unspent as of December 31, 2009:

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

Construction Contractors	Amount Remaining
A & J Cement Contractors	\$115,027
TC Construction	60,603
Terrace Construction	15,514
ABC Piping Company	5,096
Totals	\$196,240

**Note 18 – Jointly Governed Organizations**

*Northeast Ohio Public Energy Council (NOPEC)*

The City is a member of the NOPEC, 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 and natural gas. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas 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 and natural gas 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 City of Pepper Pike did not contribute to NOPEC during 2009. Financial information can be obtained by contacting 31320 Solon Road, Suite 20, Solon, Ohio 11120.

*Valley Enforcement Regional Council of Governments*

The City 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.

**Note 19 – Insurance Purchasing Pool**

The Ohio Association of Public Treasurers Rating Pool has created a group insurance pool for purpose of creating a group rating plan for workers’ compensation. The governing body is comprised of the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the City and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Integrated Consulting to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on claims experience of each member as compared to the total claims experience of the group.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

City of Pepper Pike

Cuyahoga County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matter's Required

By *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 19, 2010.

We intend this report solely for the information and use of management and City Council and others with the City. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**

Auditor of State

October 19, 2010



**Mary Taylor, CPA**  
Auditor of State

**CITY OF PEPPER PIKE**

**CUYAHOGA COUNTY**

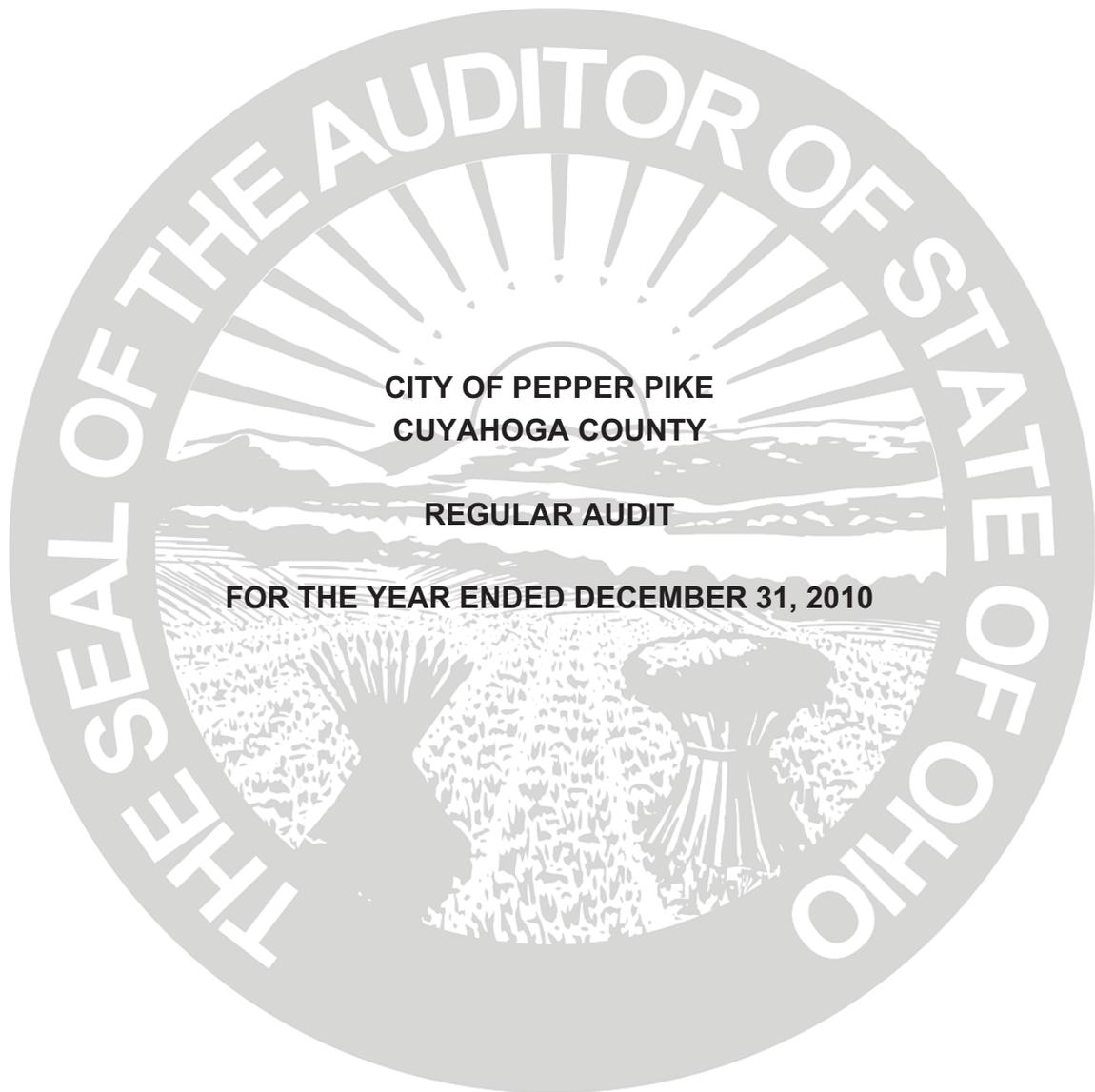
**CLERK'S CERTIFICATION**

**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  
DECEMBER 2, 2010**



**Dave Yost • Auditor of State**



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Fire Levy Fund	20
Statement of Fund Net Assets – Internal Service Fund	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund	22
Statement of Cash Flows – Internal Service Fund	23
Statement of Fiduciary Assets and Liabilities - Agency Funds	24
Notes to the Basic Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Member of Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Pepper Pike, Cuyahoga County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Fire Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, and required budgetary comparison schedules* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

November 4, 2011

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

---

The discussion and analysis of the City of Pepper Pike's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and the notes thereof.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- The City implemented a series of cost cutting or cost containment measures to keep expenses from exceeding revenues. These measures included layoffs, no wage increase from 2009, furloughs, pay reduction, reducing overtime, and a pension buy-out program.
- The City was unsuccessful in garnering voter support for a .5 percent increase in the income rate from the current 1 percent at a special election in August.
- Due to cost-cutting measures, the City's capital improvement program was halted during 2010, with only the Pepper Pike waste water treatment plant project moving forward towards completion.

**Using this Annual Financial Report**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-wide financial statements – Reporting the City of Pepper Pike as a Whole***

*Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

***Fund Financial Statements - Reporting the City of Pepper Pike's Most Significant Funds***

*Fund Financial Statements*

The analysis of the City's major funds begins on page 8. Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds for the 2010 fiscal year are the general fund, fire levy fund and the bond retirement fund.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

*Proprietary Funds*

The City maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund is a self insurance fund that accounts for medical benefits of the City's employees. The proprietary fund uses the accrual basis of accounting.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Pepper Pike's own programs.

**Government-wide Financial Analysis - City of Pepper Pike as a Whole**

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net assets for 2010 as compared to 2009.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

Table 1  
 Net Assets

	Governmental Activities		
	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$9,215,674	\$7,570,096	\$1,645,578
Capital Assets, Net	19,999,471	21,960,549	(1,961,078)
<i>Total Assets</i>	<u>29,215,145</u>	<u>29,530,645</u>	<u>(315,500)</u>
<b>Liabilities</b>			
Current Liabilities and Other Liabilities	4,165,155	4,540,162	(375,007)
Long-term Liabilities			
Due Within One Year	823,404	703,407	119,997
Due In More Than One Year	8,871,762	9,524,906	(653,144)
<i>Total Liabilities</i>	<u>13,860,321</u>	<u>14,768,475</u>	<u>(908,154)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	11,094,683	12,668,746	(1,574,063)
Restricted for:			
Capital Projects	483,682	0	483,682
Debt Service	242,761	300,547	(57,786)
Other Purpose	844,873	683,387	161,486
Unrestricted	2,688,825	1,109,490	1,579,335
<i>Total Net Assets</i>	<u>15,354,824</u>	<u>14,762,170</u>	<u>592,654</u>

Total assets decreased primarily due to annual depreciation exceeding current year additions. This decrease was offset by an increase in cash.

Total liabilities decreased due to the repayment of long-term debt and cost-cutting measures implemented by the City.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2010  
Unaudited

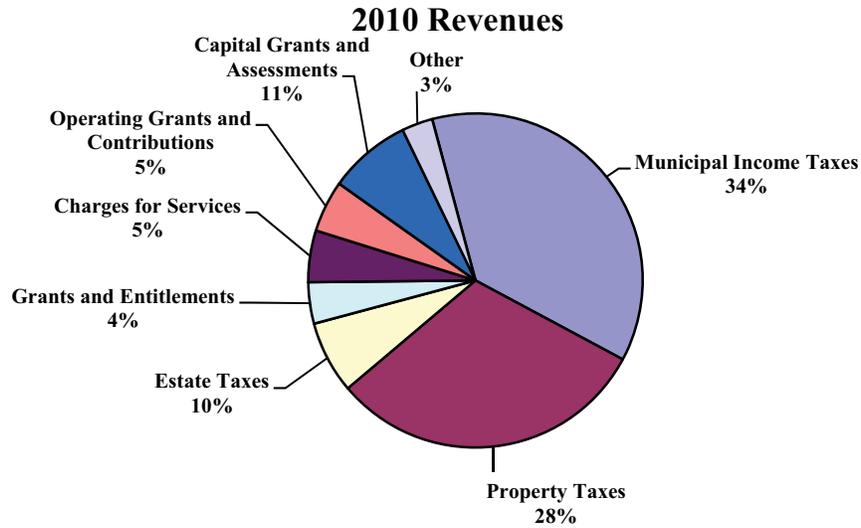
Table 2 shows the changes in net assets for the years ended December 31, 2010 and December 31, 2009 and corresponds to the Statement of Activities on page 14.

Table 2  
Changes in Net Assets

	Governmental Activities		
	2010	2009	Change
<b>Program Revenues</b>			
Charges for Services	\$558,173	\$565,583	(\$7,410)
Operating Grants and Contributions	563,748	505,031	58,717
Capital Grants and Assessments	1,329,578	892,182	437,396
<i>Total Program Revenues</i>	<u>2,451,499</u>	<u>1,962,796</u>	<u>488,703</u>
<b>General Revenues</b>			
Property Taxes	3,296,719	3,331,707	(34,988)
Income Taxes	3,915,429	3,946,715	(31,286)
Estate Taxes	1,217,843	676,130	541,713
Admissions Tax	262,349	279,130	(16,781)
Grants and Entitlements	419,539	419,008	531
Investment Earnings	7,400	69,409	(62,009)
Other	108,745	96,564	12,181
<i>Total General Revenues</i>	<u>9,228,024</u>	<u>8,818,663</u>	<u>409,361</u>
<i>Total Revenues</i>	<u>11,679,523</u>	<u>10,781,459</u>	<u>898,064</u>
<b>Program Expenses</b>			
General Government	1,331,746	2,202,769	(871,023)
Security of Persons and Property	4,853,420	6,192,180	(1,338,760)
Public Health Services	27,983	31,947	(3,964)
Community Environment	266,681	301,938	(35,257)
Basic Utility Services	1,210,599	1,416,159	(205,560)
Transportation	3,021,477	915,239	2,106,238
Interest and Fiscal Charges	374,963	332,406	42,557
<i>Total Program Expenses</i>	<u>11,086,869</u>	<u>11,392,638</u>	<u>(305,769)</u>
<i>Change in Net Assets</i>	592,654	(611,179)	1,203,833
Net Assets Beginning of Year	<u>14,762,170</u>	<u>15,373,349</u>	<u>(611,179)</u>
Net Assets End of Year	<u><u>\$15,354,824</u></u>	<u><u>\$14,762,170</u></u>	<u><u>\$592,654</u></u>

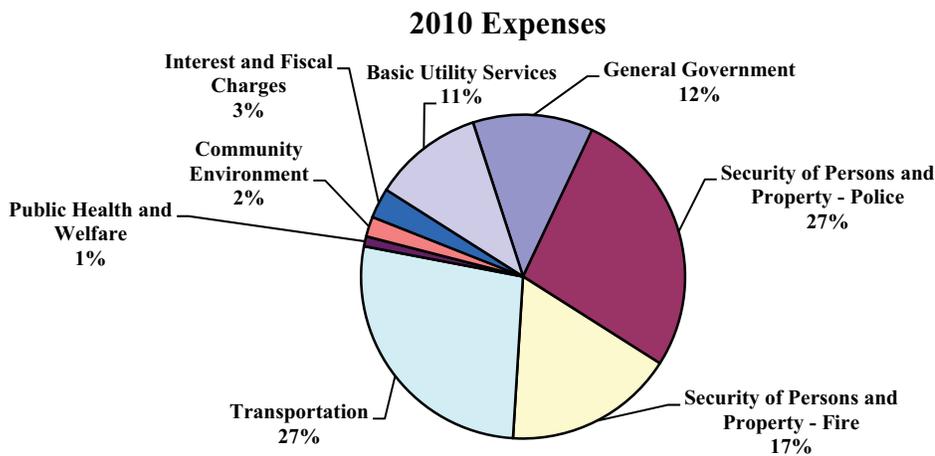
**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
 For the Year Ended December 31, 2010  
 Unaudited

*Governmental Activities*



Governmental activities increased the City's net asset by \$0.6 million.

The City's revenues increased by \$898,064. During 2010, estate taxes which have been a significant revenue source over the years came in at \$1,217,843 compared to \$676,130 during 2009. Capital grants increased by \$437,396, as the result of additional State monies received for the wastewater treatment plant project.



Expenses decreased by \$305,769. City management continues to implement cost cutting measures in order to stabilize operations for service delivery. Security of persons and property is the major activity of the City expenses. All City programs experienced decreases, with the exception of transportation and interest and fiscal charges. The \$2,106,238 increase in transportation is due to no road construction projects being done in 2009.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**The City's Funds**

Information about the City's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The City had several capital projects funds with deficit fund balances. These are caused by the recognition of expenditures on the modified accrual basis of accounting and the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, these deficits will be eliminated.

All governmental funds had total revenues of \$11,876,051 and expenditures of \$10,201,434. Other financing sources and uses provided an additional \$245,000 for operations. The net change in fund balance for the year was most significant in the general fund which showed an increase of \$973,629. The total year end fund balance was \$3.5 million for all governmental funds.

*General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public, the budget is adopted at an object level by City Council. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. Council must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of fiscal 2010, the City amended its general fund budget several times. The Finance Department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the general fund, budget basis revenue was \$636,247 above final budget estimates of \$7,251,728, as the City received more estate tax monies than was expected. The final appropriations of \$7,346,925 was sufficient to meet the expenditures for the year, which ended up at \$7,096,005 or \$250,920 less than anticipated due to a savings experienced in various contracts for the annual road maintenance program.

The City's ending unobligated budgetary fund balance was \$973,686 higher than the final projected budgetary fund balance amount of \$871,136.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
 For the Year Ended December 31, 2010  
 Unaudited

**Debt Administration and Capital Assets**

***Debt***

At December 31, 2010, the City had \$9,695,166 in outstanding long-term liabilities, of which \$8,589,718 was in general obligation bonds. Table 4 summarizes the obligations outstanding.

Table 4  
 Outstanding Long-term Liabilities at Year End  
 (In Millions)

	Governmental Activities	
	2010	2009
General Obligation Bonds	\$8,589,718	\$8,981,282
OPWC Loans	852,526	920,933
Compensated Absences	252,922	326,098
Total	\$9,695,166	\$10,228,313

At December 31, 2010, the City's overall legal debt margin was \$33,541,434 with an unvoted debt margin of \$13,677,508. The City has an aggressive debt reduction strategy whereby most long term bonds are paid off within ten years as opposed to fifteen or twenty years. At year end, the outstanding general obligation bonded debt was \$8,560,000. In addition, the City had an outstanding balance of \$852,526 on two twenty-year interest free loans obtained from the Ohio Public Works Commission. There was also an amount of \$252,922 booked as compensated absences in the long-term debt obligations for accrued sick leave payable to the employees.

Also, the City has manuscript bonds which represent five separate water and sewer improvement issues in the form of manuscript bonds issued by the City. Manuscript bonds are bonds issued and purchased by the City and held until maturity as an investment vehicle whereby the City pays interest to the General Fund from the Debt Service Fund. This form of issue avoids the underwriting and insurance costs and is used primarily in projects which require minimal funding. These bonds are shown on the balance sheet as interfund receivables/payables between the General Fund and the Capital Projects Fund. At year end, the outstanding Special Assessment Manuscript bonds were \$199,683. Additional information concerning the City's manuscript debt can be found in Note 15 to the basic financial statements.

Additional information concerning the City's debt can be found in Note 16 to the basic financial statements.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

**Capital Assets**

Table 3 shows fiscal 2010 balances of Capital Assets as compared to 2009:

Table 3  
 Capital Assets at December 31  
 (Net of Depreciation, in Millions)

	Governmental Activities		
	2010	2009	Change
Land	\$271,350	\$271,350	\$0
Construction in Progress	3,120,685	3,001,236	119,449
Improvements to Land	71,358	79,323	(7,965)
Buildings and Improvements	3,187,471	3,275,805	(88,334)
Vehicles	1,117,916	1,708,259	(590,343)
Furniture, Fixtures and Equipment	507,647	263,930	243,717
Infrastructure			
Streets	5,283,104	6,761,898	(1,478,794)
Bridges	126,482	128,978	(2,496)
Sanitary Sewer System	6,313,458	6,469,770	(156,312)
Total Capital Assets	<u>\$19,999,471</u>	<u>\$21,960,549</u>	<u>(\$1,961,078)</u>

Net of depreciation, the balances for the above capital assets decreased by \$1,961,078. The construction in progress was higher by \$119,449, due to additional expenditures on the Pepper Pike wastewater treatment plant project. The remaining increases and decreases are due to changes in accumulated depreciation. The City placed on hold its aggressive stance on maintaining its assets, including infrastructure, in excellent condition, due to the lack of available funding. Vehicles such as fire trucks, ambulances, rubbish trucks, etc. are planned for in advance by the respective department heads and a scheduled maintenance and replacement time table is followed to provide peak performance for the life of the asset. Police cars are usually replaced every eighteen months or when they have been driven approximately 80,000 miles. The older vehicles are either traded in to the dealers or sold to the highest bidder in the open market.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack sealed and in the case of concrete roads, either replaced or repaired. After approval from Council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the current operating funds of the City. In the case of a major resurfacing project on one of the main arteries in the City, as mentioned, the City has effectively pursued external sources of funding twenty to thirty percent of the project in the form of grants and loan assistance programs from State Issue II funds thereby reducing the total amount to be borrowed to provide the matching funds. Additional information concerning the City's capital assets can be found in Note 10 to the basic financial statements.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**Current Related Financial Activities**

The City is facing some financial challenges as are most other communities in the County. City Council and the administration has taken steps to counter these challenges by putting in measures to cut expenditures and also increase revenues. The City has also established an oversight committee to meet regularly with the Finance Director, review the financial reports in detail, and report back to the Council every month. The City's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City with full disclosure of the financial position of the City.

**Contacting the City of Pepper Pike's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director Loren Sengstock, at the City of Pepper Pike, 28000 Shaker Boulevard, Pepper Pike, Ohio 44124, phone number (216) 831-8500.

**Basic Financial Statements**

**City of Pepper Pike, Ohio***Statement of Net Assets**December 31, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,793,672
Accounts Receivable	145,482
Intergovernmental Receivable	553,352
Prepaid Items	50,385
Materials and Supplies Inventory	58,394
Income Taxes Receivable	923,740
Property Taxes Receivable	3,420,878
Special Assessments Receivable	264,859
Deferred Charges	4,912
Nondepreciable Capital Assets	3,392,035
Depreciable Capital Assets, Net	<u>16,607,436</u>
<i>Total Assets</i>	<u>29,215,145</u>
<b>Liabilities</b>	
Accounts Payable	36,882
Contracts Payable	155,586
Claims Payable	89,155
Accrued Wages	50,231
Intergovernmental Payable	319,663
Deferred Revenue	3,210,858
Accrued Interest Payable	40,594
Vacation Benefits Payable	262,186
Long-Term Liabilities:	
Due Within One Year	823,404
Due In More Than One Year	<u>8,871,762</u>
<i>Total Liabilities</i>	<u>13,860,321</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	11,094,683
Restricted for:	
Capital Projects	483,682
Debt Service	242,761
Other Purposes	844,873
Unrestricted	<u>2,688,825</u>
<i>Total Net Assets</i>	<u><u>\$15,354,824</u></u>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

**City of Pepper Pike, Ohio**  
*Statement of Activities*  
 For the Year Ended December 31, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Assessments	Governmental Activities
Governmental Activities:					
General Government	\$1,331,746	\$295,316	\$0	\$609,408	(\$427,022)
Security of Persons and Property:					
Police	3,035,015	4,716	0	0	(3,030,299)
Fire	1,818,405	139,851	227,520	0	(1,451,034)
Public Health Services	27,983	0	0	0	(27,983)
Community Environment	266,681	51,194	54,245	0	(161,242)
Basic Utility Services	1,210,599	0	0	0	(1,210,599)
Transportation	3,021,477	67,096	281,983	720,170	(1,952,228)
Interest and Fiscal Charges	374,963	0	0	0	(374,963)
<i>Total Governmental Activities</i>	<u>\$11,086,869</u>	<u>\$558,173</u>	<u>\$563,748</u>	<u>\$1,329,578</u>	<u>(8,635,370)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					1,288,590
					413,078
					1,387,003
					208,048
					3,915,429
					1,217,843
					262,349
					419,539
					7,400
					108,745
					9,228,024
					592,654
					14,762,170
					<u>\$15,354,824</u>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

## City of Pepper Pike, Ohio

## Balance Sheet

## Governmental Funds

December 31, 2010

	General	Fire Levy	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,922,014	\$100,146	\$175,839	\$1,243,303	\$3,441,302
Property Taxes Receivable	1,404,361	1,440,371	360,092	216,054	3,420,878
Income Taxes Receivable	923,740	0	0	0	923,740
Accounts Receivable	62,476	83,006	0	0	145,482
Intergovernmental Receivable	278,547	96,226	28,868	149,711	553,352
Interfund Receivable	474,664	0	0	0	474,664
Materials and Supplies Inventory	58,394	0	0	0	58,394
Prepaid Items	50,385	0	0	0	50,385
Special Assessments Receivable	0	0	85,380	179,479	264,859
<i>Total Assets</i>	<u>\$5,174,581</u>	<u>\$1,719,749</u>	<u>\$650,179</u>	<u>\$1,788,547</u>	<u>\$9,333,056</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$30,335	\$6,106	\$0	\$441	\$36,882
Contracts Payable	23,614	0	0	131,972	155,586
Accrued Wages	29,029	21,202	0	0	50,231
Intergovernmental Payable	125,384	47,374	0	146,905	319,663
Interfund Payable	0	0	0	474,664	474,664
Deferred Revenue	2,171,361	1,611,702	474,340	521,611	4,779,014
Accrued Interest Payable	0	0	0	879	879
<i>Total Liabilities</i>	<u>2,379,723</u>	<u>1,686,384</u>	<u>474,340</u>	<u>1,276,472</u>	<u>5,816,919</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	245,388	0	0	1,257,827	1,503,215
Reserved for Advances	199,683	0	0	0	199,683
Unreserved					
Undesignated, Reported in:					
General Fund	2,349,787	0	0	0	2,349,787
Special Revenue Funds	0	33,365	0	493,110	526,475
Debt Service Fund	0	0	175,839	0	175,839
Capital Projects Funds (Deficit)	0	0	0	(1,238,862)	(1,238,862)
<i>Total Fund Balances</i>	<u>2,794,858</u>	<u>33,365</u>	<u>175,839</u>	<u>512,075</u>	<u>3,516,137</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,174,581</u>	<u>\$1,719,749</u>	<u>\$650,179</u>	<u>\$1,788,547</u>	<u>\$9,333,056</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2010*

<b>Total Governmental Fund Balances</b>	<b>\$3,516,137</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,999,471
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	210,020
Income Taxes	592,470
Estate Taxes	30,012
Special Assessments	264,859
Intergovernmental	395,690
Charges for Services	75,105
Total	1,568,156
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included as part of governmental activities in the statement of net assets.	263,215
Bond issuance costs are considered deferred charges and will be amortized over the life of the bonds on the statement of net assets.	4,912
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(39,715)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(262,186)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(8,589,718)
OPWC Loans	(852,526)
Compensated Absences	(252,922)
Total	(9,695,166)
<i>Net Assets of Governmental Activities</i>	<b>\$15,354,824</b>

See accompanying notes to the basic financial statements

Tab 5: Supporting Documentation

**City of Pepper Pike, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2010

	General	Fire Levy	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,287,549	\$1,388,235	\$415,628	\$208,234	\$3,299,646
Municipal Income Taxes	4,076,116	0	0	0	4,076,116
Estate Taxes	1,260,280	0	0	0	1,260,280
Admissions Taxes	262,349	0	0	0	262,349
Charges for Services	4,716	108,806	0	0	113,522
Fees, Licenses and Permits	231,429	0	0	0	231,429
Fines and Forfeitures	51,194	0	0	0	51,194
Intergovernmental	362,598	192,453	57,735	1,081,409	1,694,195
Special Assessments	0	0	630,147	0	630,147
Interest	3,810	0	0	3,590	7,400
Rentals	67,096	0	0	0	67,096
Contributions and Donations	0	0	0	10,045	10,045
Franchise Tax	63,887	0	0	0	63,887
Other	104,872	2,000	0	1,873	108,745
<i>Total Revenues</i>	<u>7,775,896</u>	<u>1,691,494</u>	<u>1,103,510</u>	<u>1,305,151</u>	<u>11,876,051</u>
<b>Expenditures</b>					
Current:					
General Government	1,219,770	0	82,647	0	1,302,417
Security of Persons and Property:					
Police	2,824,444	0	0	272,827	3,097,271
Fire	0	1,533,376	0	227,144	1,760,520
Public Health Services	28,103	0	0	0	28,103
Community Environment	265,343	0	0	1,634	266,977
Basic Utility Services	1,175,476	0	0	0	1,175,476
Transportation	968,131	0	0	271,649	1,239,780
Capital Outlay	0	0	0	234,465	234,465
Debt Service:					
Principal Retirement	0	0	703,407	0	703,407
Interest and Fiscal Charges	0	0	388,018	0	388,018
Bond Issuance Costs	0	0	0	5,000	5,000
<i>Total Expenditures</i>	<u>6,481,267</u>	<u>1,533,376</u>	<u>1,174,072</u>	<u>1,012,719</u>	<u>10,201,434</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,294,629</u>	<u>158,118</u>	<u>(70,562)</u>	<u>292,432</u>	<u>1,674,617</u>
<b>Other Financing Sources (Uses)</b>					
General Obligation Bonds Issued	0	0	0	245,000	245,000
Transfers In	0	0	3,931	321,000	324,931
Transfers Out	(321,000)	0	0	(3,931)	(324,931)
<i>Total Other Financing Sources (Uses)</i>	<u>(321,000)</u>	<u>0</u>	<u>3,931</u>	<u>562,069</u>	<u>245,000</u>
<i>Net Change in Fund Balances</i>	973,629	158,118	(66,631)	854,501	1,919,617
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>1,821,229</u>	<u>(124,753)</u>	<u>242,470</u>	<u>(342,426)</u>	<u>1,596,520</u>
<i>Fund Balances End of Year</i>	<u>\$2,794,858</u>	<u>\$33,365</u>	<u>\$175,839</u>	<u>\$512,075</u>	<u>\$3,516,137</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2010*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,919,617</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Outlay	145,250
Depreciation	<u>(2,106,328)</u>
Total	(1,961,078)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(2,927)
Income Taxes	(160,687)
Estate Taxes	(42,437)
Special Assessments	(20,739)
Intergovernmental	(783)
Charges for Services	<u>31,045</u>
Total	(196,528)
Other financing sources, such as general obligation bonds issued, in the governmental funds increase long-term liabilities in the statement of net assets.	(245,000)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	703,407
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	5,000
The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.	200,021
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental, an interest expenditure is reported when due.	
Accrued Interest	11,579
Amortization of Bond Issuance Costs	(88)
Amortization of Bond Premium	<u>1,564</u>
Total	13,055
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated Absences	73,176
Vacation Benefits Payable	<u>80,984</u>
Total	<u>154,160</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$592,654</u></u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,231,088	\$1,231,088	\$1,287,549	\$56,461
Municipal Income Taxes	4,821,324	4,821,324	4,031,686	(789,638)
Estate Taxes	270,000	270,000	1,387,590	1,117,590
Admissions Taxes	220,000	220,000	294,900	74,900
Charges for Services	1,500	1,500	4,716	3,216
Fees, Licenses and Permits	162,500	162,500	231,429	68,929
Fines and Forfeitures	55,855	55,855	52,314	(3,541)
Intergovernmental	346,761	346,761	360,545	13,784
Interest	1,000	1,000	6,370	5,370
Franchise Tax	55,000	55,000	63,887	8,887
Rentals	36,600	36,600	67,796	31,196
Other	50,100	50,100	99,193	49,093
<i>Total Revenues</i>	7,251,728	7,251,728	7,887,975	636,247
<b>Expenditures</b>				
Current:				
General Government	1,201,532	1,367,490	1,309,122	58,368
Security of Persons and Property:				
Police	2,761,659	3,034,854	2,990,758	44,096
Public Health Services	34,723	34,723	28,103	6,620
Community Environment	239,693	280,560	270,549	10,011
Basic Utility Services	1,395,577	1,404,346	1,340,774	63,572
Transportation	1,142,394	1,224,952	1,156,699	68,253
<i>Total Expenditures</i>	6,775,578	7,346,925	7,096,005	250,920
<i>Excess of Revenues Over (Under) Expenditures</i>	476,150	(95,197)	791,970	887,167
<b>Other Financing Sources (Uses)</b>				
Advances In	249,900	249,900	249,900	0
Advances Out	0	0	(2,481)	(2,481)
Transfers Out	(505,000)	(410,000)	(321,000)	89,000
<i>Total Other Financing Sources (Uses)</i>	(255,100)	(160,100)	(73,581)	86,519
<i>Net Change in Fund Balance</i>	221,050	(255,297)	718,389	973,686
<i>Fund Balance Beginning of Year</i>	840,057	840,057	840,057	0
Prior Year Encumbrances Appropriated	286,376	286,376	286,376	0
<i>Fund Balance End of Year</i>	\$1,347,483	\$871,136	\$1,844,822	\$973,686

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,898,067	\$1,898,231	\$1,388,234	(\$509,997)
Charges for Services	149,829	149,842	109,584	(40,258)
Intergovernmental	263,132	263,155	192,453	(70,702)
Other	2,735	2,735	2,000	(735)
<i>Total Revenues</i>	2,313,763	2,313,963	1,692,271	(621,692)
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	1,626,340	1,676,820	1,602,091	74,729
<i>Excess of Revenues Over Expenditures</i>	687,423	637,143	90,180	(546,963)
<b>Other Financing Sources</b>				
Transfers In	95,000	95,000	0	(95,000)
Transfers Out	0	(44,000)	0	44,000
<i>Total Other Financing Sources</i>	95,000	51,000	0	(51,000)
<i>Net Change in Fund Balance</i>	782,423	688,143	90,180	(597,963)
<i>Fund Balance Beginning of Year</i>	713	713	713	0
Prior Year Encumbrances Appropriated	6,480	6,480	6,480	0
<i>Fund Balance End of Year</i>	\$789,616	\$695,336	\$97,373	(\$597,963)

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*December 31, 2010*

	Self Insurance
<b>Assets</b>	
Cash and Cash Equivalents	\$352,370
<b>Liabilities</b>	
Claims Payable	89,155
<b>Net Assets</b>	
Unrestricted	\$263,215

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Revenues,  
 Expenses and Changes in Fund Net Assets  
 Internal Service Fund  
 For the Year Ended December 31, 2010*

	Self Insurance
<b>Operating Revenues</b>	
Charges for Services	\$972,350
<b>Operating Expenses</b>	
Contractual Services	206,748
Claims	571,078
<i>Total Operating Expenses</i>	777,826
<i>Operating Income</i>	194,524
<b>Nonoperating Income</b>	
Interest	5,497
<i>Change in Net Assets</i>	200,021
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	63,194
<i>Net Assets End of Year</i>	\$263,215

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Year Ended December 31, 2010*

	<u>Self Insurance</u>
 <i><b>Increase in Cash and Cash Equivalents</b></i>	
 <b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$972,350
Cash Payments to Suppliers for Goods and Services	(206,748)
Cash Payments for Claims	(569,014)
<i>Net Cash Provided by Operating Activities</i>	196,588
 <b>Cash Flows from Investing Activities</b>	
Interest on Investments	5,497
<i>Net Increase in Cash and Cash Equivalents</i>	202,085
 <i>Cash and Cash Equivalents Beginning of Year</i>	 150,285
 <i>Cash and Cash Equivalents End of Year</i>	 \$352,370
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$194,524
Adjustments:	
Increase in Claims Payable	2,064
<i>Net Cash Provided by Operating Activities</i>	\$196,588
 See accompanying notes to the basic financial statements	

**City of Pepper Pike, Ohio**  
*Cuyahoga County*  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2010*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$265,469</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$265,469</u></u>
See accompanying notes to the basic financial statements	

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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**Note 1 – Description of the City and Reporting Entity**

The City of Pepper Pike (the “City”) is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on January 1, 1967. The City is governed under the mayor-council form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the legal entity of the City (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.”

The primary government includes the City departments and agencies that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair and general administrative services.

Water service within the City is provided by the City of Cleveland Water Department and is purchased directly by the consumers. Approximately 800 residential homes, schools and business are served by a sewage collection system that is owned by the City and operated by the County Sanitary Engineer. Approximately 300 of the 800 residential homes have the sewage treated at a plant owned by the Northeast Ohio Regional Sewer District. The remaining homes, schools and businesses operate and maintain private sewage treatment systems that are inspected by the Cuyahoga County Board of Health. The City owns and maintains storm sewers and culverts within the public right-of-way and designated easements for the collection and discharge of storm water.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Ohio Association of Public Treasurers Rating Pool, the Northeast Ohio Public Energy Council, and the Valley Enforcement Regional Council of Governments, which are defined as an insurance purchasing pool and a jointly governed organization. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest nor responsibility on the part of the participating governments. These organizations are discussed in Notes 14 and 17 to the basic financial statements.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as governmental, proprietary or fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Pepper Pike and/or the general laws of Ohio.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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***Fire Levy Special Revenue Fund*** – The fire levy fund is used to account for property tax revenues received from a fire levy and transfers from the general fund. Monies are used to maintain fire equipment and for salaries of firemen.

***Bond Retirement Fund*** – The bond retirement fund receives property taxes and special assessments for the payment of general long-term debt principal, interest and related costs for various City improvements.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The City only has an internal service fund.

***Internal Service Fund*** The internal service fund accounts for financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund is a self insurance fund that accounts for medical benefits of the City's employees.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for tree planting and construction deposits.

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its internal service fund.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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***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 resolution, 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 Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriation resolution 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 resolution 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 Council during the year.

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2010, investments were limited to federal home loan bank bonds, federal home loan mortgage corporation notes and STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office. STAR Ohio 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 Investments 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, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amounted to \$3,810, which includes \$315 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

***Capital Assets***

The City’s only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Improvements to Land	20 years
Buildings and Improvements	30-75 years
Vehicles	10 years
Furniture, Fixtures and Equipment	10 years
Infrastructure	20-100 years

The City’s infrastructure consists of streets, bridges and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City’s policy limits the accrual of vacation time to one year from the employee’s anniversary date, the outstanding liability is recorded as “vacation benefits payable” on the statement of net assets rather than as a long-term liability.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of accumulated service.

***Bond Issuance Costs***

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within governmental fund statements, bond issuance costs are expended when incurred.

As permitted by state statute, the city paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

***Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and long-term advances.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street construction, maintenance and repair and the operation of the fire department.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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***Interfund Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses 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 revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration that are either unusual in nature or infrequent in occurrence.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 - Change in Accounting Principle and Restatement of Prior Year's Fund Equity**

***Change in Accounting Principle***

For Fiscal year 2010, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 51 "Accounting and Reporting for Intangible Assets". GASB Statement No. 51 establishes accounting and financial reporting of such assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of intangible assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

***Restatement of Prior Year's Fund Equity***

In the prior year, the City incorrectly recorded cash and claims payable in the internal service fund. The restatement increased net assets in the internal service fund at December 31, 2009 by \$3,910 from \$59,284 to \$63,194. The restatement also restated governmental net assets at December 31, 2009 by \$3,910 from \$14,758,260 to \$14,762,170.

**Note 4 - Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
 For The Year Ended December 31, 2010

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and fire levy.

Net Change in Fund Balance		
	General	Fire Levy
GAAP Basis	\$973,629	\$158,118
Net Adjustment for Revenue Accruals	112,079	777
Advances In	249,900	0
Advances Out	(2,481)	0
Net Adjustment for Expenditure Accruals	(337,863)	(65,942)
Encumbrances	(276,875)	(2,773)
Budget Basis	\$718,389	\$90,180

**Note 5 – Fund Deficits**

Fund balances at December 31, 2010, included the following individual fund deficits:

***Special Revenue Funds***

Police Pension	\$72,676
Fire Pension	70,419

***Capital Projects Funds***

Northwest Quadrant	24,000
Brainard Road Sewerline	79,284
Lander/Emerson Waterline	40,185
Kersdale Road Waterline	81,093
Thornapple Waterline	2,481

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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The Police Pension and Fire Pension special revenue funds and the Northwest Quadrant and Thornapple waterline capital projects funds deficits are caused by the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on the cash basis. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Brainard Road sewer line, Lander/Emerson waterline and Kersdale Road waterline capital projects funds' deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, the deficit will be eliminated.

### **Note 6 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active monies are public monies necessary to meet current demands on the treasury. Active monies must be maintained either as cash in the City 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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);
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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 City, and must be purchased with the expectation that it will be held to maturity.

**Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$1,549,039 of the City's bank balance of \$2,690,344 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City 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 City 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**

Investments are reported at fair value. As of December 31, 2010, the City had the following investments:

	Fair Value	Maturity
STAR Ohio	\$1,126,123	58 Days Average

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** STAROhio carries a rating of AAA by Standard & Poor's. The City has no investment policy that addresses credit risk.

**Note 7 - Receivables**

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property and estate taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

All receivables except property taxes and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$229,061 in the special assessment bond retirement fund. At December 31, 2010 the amount of delinquent special assessments was \$36,135.

**Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

were levied after October 1, 2009, on the value as of December 31, 2009; however, the City received no tangible personal property tax revenue from telephone company property. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2010, was \$9.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$359,841,300
Other Real Estate	31,596,760
Tangible Personal Property	
Public Utility	5,840,450
Total Assessed Values	\$397,278,510

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Pepper Pike. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and a revenue while the remainder of the receivable is deferred.

***Intergovernmental Receivables***

A summary of intergovernmental receivables as of December 31, 2010 follows:

Homestead and Rollback	\$228,537
Estate Tax	120,047
Gasoline Tax	101,120
Local Government	66,462
Permissive Tax	34,157
Court Fines	3,029
Total	\$553,352

***Income Taxes***

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. Income tax revenue is credited entirely to the general fund.

**Note 8 - Contingencies**

***Litigation***

The City is a party to legal proceedings seeking damages. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

***Grants***

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

**Note 9 – Other Employee Benefits**

***Compensated Absences***

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation.

Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Unused sick leave can be accumulated up to 120 work days, unless more than 120 work days are approved by the Mayor. Upon retirement, employees with 20 or more years of service shall be paid at the rate of one day for every two days accumulated.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
<b><i>Capital Assets not being Depreciated</i></b>				
Land	\$271,350	\$0	\$0	\$271,350
Construction in Progress	3,001,236	119,449	0	3,120,685
<b><i>Total Capital Assets not being Depreciated</i></b>	<b>3,272,586</b>	<b>119,449</b>	<b>0</b>	<b>3,392,035</b>
<b><i>Capital Assets being Depreciated</i></b>				
Improvements to Land	221,806	0	0	221,806
Buildings and Improvements	4,402,955	0	0	4,402,955
Vehicles	3,708,761	22,115	(349,890)	3,380,986
Furniture, Fixtures and Equipment	1,858,587	3,686	0	1,862,273
Infrastructure				
Streets	29,575,874	0	0	29,575,874
Bridges	249,605	0	0	249,605
Sanitary Sewers	7,815,601	0	0	7,815,601
<b><i>Total Capital Assets being Depreciated</i></b>	<b>47,833,189</b>	<b>25,801</b>	<b>(349,890)</b>	<b>47,509,100</b>
<b><i>Less: Accumulated Depreciation</i></b>				
Improvements to Land	(142,483)	(7,965)	0	(150,448)
Buildings and Improvements	(1,127,150)	(88,334)	0	(1,215,484)
Vehicles	(2,000,502)	(262,568)	0	(2,263,070)
Furniture, Fixtures and Equipment	(1,594,657)	(109,859)	349,890	(1,354,626)
Infrastructure				
Streets	(22,813,976)	(1,478,794)	0	(24,292,770)
Bridges	(120,627)	(2,496)	0	(123,123)
Sanitary Sewers	(1,345,831)	(156,312)	0	(1,502,143)
<b><i>Total Accumulated Depreciation</i></b>	<b>(29,145,226)</b>	<b>(2,106,328) *</b>	<b>349,890</b>	<b>(30,901,664)</b>
<b><i>Total Capital Assets being Depreciated, Net</i></b>	<b>18,687,963</b>	<b>(2,080,527)</b>	<b>0</b>	<b>16,607,436</b>
<b><i>Total Capital Assets, Net</i></b>	<b>\$21,960,549</b>	<b>(\$1,961,078)</b>	<b>\$0</b>	<b>\$19,999,471</b>

\*Depreciation expense was charged to governmental activities as follows:

General Government	\$92,024
Security of Persons and Property:	
Police	66,793
Fire	117,572
Community Development	375
Basic Utility Services	188,511
Transportation	1,641,053
<b>Total Depreciation Expense</b>	<b>\$2,106,328</b>

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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**Note 11 - Defined Benefit Pension Plans*****Ohio Public Employees Retirement System***

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's contribution rate for 2010 was 14.00 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2010, 2009, and 2008 was \$222,053, \$250,337, and \$212,929, respectively. For 2010, 85.10 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Neither the City or plan members made contributions to the Member-Directed Plan for 2010.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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***Ohio Police and Fire Pension Fund***

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$170,628 and \$161,782 for the year ended December 31, 2010, \$197,950 and \$216,334 for the year ended December 31, 2009, and \$196,701 and \$213,459 for the year ended December 31, 2008, respectively. For 2010, 71.62 percent for police and 67.64 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**Note 12 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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Funding Policy – The post-employment 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 fund post-employment health care through their contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$126,461, \$181,013 and \$212,929, respectively. For 2010, 85.10 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***Ohio Police and Fire Pension Fund***

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

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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

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

The OP&F Board of Trustees 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 City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police and firefighters were \$90,333 and \$63,306 for the year ended December 31, 2010, \$104,797 and \$84,653 for the year ended December 31, 2009, and \$104,136 and \$83,527 for the year ended December 31, 2008, respectively. For 2010, 71.62 percent has been contributed for police and 67.64 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

**Note 13 - Risk Management**

***Property and Liability***

The City 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 the year, the City contracted with Selective Insurance Company for the following types of insurance:

Type	Deductible	Coverage
Property	\$1,000	\$11,141,147
Boiler and Machinery	1,000	11,141,147
Inland Marine	500	376,460
Vehicle	500	1,000,000
General Liability	N/A	1,000,000
EMT Liability	N/A	1,000,000
Law Enforcement	5,000	1,000,000
Public Officials Liability	5,000	1,000,000
Umbrella Liability	N/A	10,000,000
Leased/Rented Equipment	500	50,000
Employee Dishonesty	N/A	10,000

Settled claims have not exceeded this commercial coverage in any of the past four years. There were no significant reductions in coverage from the prior year.

***Workers' Compensations***

The City participates in the Ohio Association of Public Treasurers Rating Pool (OAPT) for worker's compensation. The intent of the OAPT is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OAPT. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OAPT. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OAPT.

***Self - Insurance***

Medical insurance is offered to employees through a self-insurance internal service fund. The City's monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$35,000 per employee, per year.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

Beginning in 2009, the City offered medical, surgical and prescription drug claims coverage to all employees through a self – insurance internal service fund. Klais and Company serves as the third party administrator. (A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$500,000 per employee, per year.) The claims liability of \$67,767 reported in the internal service fund at December 31, 2010 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund’s claims liability amount in fiscal year 2009 and 2010 were:

	Beginning of Year	Year Claims	Claim Payments	End of Year
2009	\$0	\$235,372	\$148,281	\$87,091
2010	87,091	658,169	656,105	89,155

**Note 14 – Insurance Purchasing Pool**

The Ohio Association of Public Treasurers Rating Pool has created a group insurance pool for purpose of creating a group rating plan for workers’ compensation. The governing body is comprised of the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the City and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Integrated Consulting to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on claims experience of each member as compared to the total claims experience of the group.

**Note 15 - Interfund Transfers and Balances**

***Interfund Transfers***

The general fund made transfers to the police pension and fire pension special revenue funds in the amounts of \$175,000 and \$145,000, respectively. These transfers were to subsidize the .3 mill police pension levy and .3 mill fire pension levy which were not sufficient to cover the City’s annual liabilities with regards to the City’s contributions to these pension funds. The transfer from the windy hill water main capital projects fund to the bond retirement fund of \$3,931 was to close out the fund. The general fund also made a transfer of \$1,000 to the windy hill fund.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

***Interfund Balances***

On the fund financial statements interfund balances at December 31, 2010 were:

	Receivable		Payable	
	Manuscript Notes	Advances To Other Funds	Manuscript Notes	Advances From Other Funds
General	\$199,683	\$274,981	\$0	\$0
Pepper Pike Wastewater Treatment				
Plant and East Road	0	0	0	248,500
Brainard Road Sewer	0	0	78,906	0
Lander/Emerson Waterline	0	0	40,000	0
Kersdale Road Waterline	0	0	80,777	0
Northwest Quadrant	0	0	0	24,000
Thornapple Water Main	0	0	0	2,481
<i>Totals</i>	<u>\$199,683</u>	<u>\$274,981</u>	<u>\$199,683</u>	<u>\$274,981</u>

The Brainard Road sewer interfund balance represents a manuscript note that was issued on September 26, 1996 at 5.70 percent. This note is due on December 1, 2016 and was used for improvements to the Brainard Road sewer.

The lander/emerson waterline interfund balance represents a manuscript note that was issued on June 1, 1999 at 5.35 percent. This note is due on December 1, 2019 and was used for renovations to the lander/emerson waterline.

The Kersdale Road waterline interfund balance represents a manuscript note that was issued on June 1, 2000 at 4.70 percent. This note is due on December 1, 2021 and was used for improvements to the Kersdale Road waterline.

The remaining interfund balances at December 31, 2010 were made to support projects in the Pepper Pike wastewater treatment plant and East Road, northwest quadrant and thornapple water main capital projects funds' pending the receipt of assessments and grant monies that will be used to repay the loans.

The manuscript notes were issued by the City and purchased by the general fund as an investment. All are expected to be paid within one year.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2010

**Note 16 - Long-Term Obligations**

A schedule of changes in bonds and other long-term obligations of the City during 2010 follows:

	Principal Outstanding 12/31/2009	Additions	Deletions	Principal Outstanding 12/31/2010	Amounts Due In One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
1997 5.35% Brookwood Water					
Serial Bonds	\$395,000	\$0	(\$50,000)	\$345,000	\$50,000
2001 2.50% - 4.00% Road Improvement					
Serial Bonds	595,000	0	(300,000)	295,000	295,000
2007 4.00 - 5.00 % Various Purpose					
Serial Bonds	1,500,000	0	(125,000)	1,375,000	125,000
Term Bonds	1,770,000	0	0	1,770,000	0
2008 3.00 - 5.00 % Street Improvement					
Serial Bonds	590,000	0	(45,000)	545,000	45,000
Term Bonds	640,000	0	0	640,000	0
2009 2.00 - 4.13 % Street Improvement					
Serial Bonds	3,460,000	0	(115,000)	3,345,000	135,000
Premium on Bonds	31,282	0	(1,564)	29,718	0
2010 Windy Hill Bonds					
Serial Bonds	0	148,000	0	148,000	5,000
2010 Thornapple Bonds					
Serial Bonds	0	97,000	0	97,000	5,000
<i>Total General Obligation Bonds</i>	<u>8,981,282</u>	<u>245,000</u>	<u>(636,564)</u>	<u>8,589,718</u>	<u>660,000</u>
<b>OPWC Loans</b>					
1996 0% Pinetree Water	184,130	0	(26,304)	157,826	26,304
2007 0% Brainard Road	736,803	0	(42,103)	694,700	42,103
<i>Total OPWC Loans</i>	<u>920,933</u>	<u>0</u>	<u>(68,407)</u>	<u>852,526</u>	<u>68,407</u>
<b>Other Long-term Obligations</b>					
Compensated Absences	326,098	150,693	(223,869)	252,922	94,997
<i>Total Governmental Activities</i>	<u>\$10,228,313</u>	<u>\$395,693</u>	<u>(\$928,840)</u>	<u>\$9,695,166</u>	<u>\$823,404</u>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. The Ohio Public Works Commission (OPWC) projects are being paid from the bond retirement debt service fund. Compensated absences will be paid from the general and fire levy special revenue fund.

On September 19, 1997, the City issued \$995,000 in general obligation bonds for the purpose of constructing a water line on Brookwood Road. The bonds were issued for a twenty year period with a final maturity on December 19, 2017.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

On November 1, 2001, the City issued \$2,995,000 in general obligations bonds for resurfacing Fairmount Boulevard (\$1,335,000) and South Woodland (\$1,660,000). The bonds were issued for a ten year period with a final maturity on December 1, 2011.

On September 20, 2007, the City issued \$3,475,000 in general obligations bonds for Brainard Road storm sewer (\$458,000) and water line projects (\$428,000), construction of water pump stations on Fairmount Brainard Road (\$672,000) and Brainard Road (\$425,000) and Brainard Road Relocation project (\$1,492,000). The general obligation bonds consist of serial and term bonds in the amounts of \$1,705,000 and \$1,770,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2020	\$190,000
2021	200,000
Total	\$390,000

The remaining principal amount of the term bonds (\$205,000) will mature at the stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2023	\$210,000
2024	230,000
2025	235,000
2026	245,000
Total	\$920,000

The remaining principal amount of the term bonds (\$255,000) will mature at the stated maturity on December 1, 2027.

On September 17, 2008, the City issued \$1,260,000 in general obligations bonds for the Pepper Hills Wastewater Treatment Plant (\$852,000) and the Cedar Road Sewer (\$408,000). The general obligation bonds consist of serial and term bonds in the amounts of \$620,000 and \$640,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2028.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2021	\$65,000
2022	75,000
2023	75,000
Total	\$215,000

The remaining principal amount of the term bonds (\$75,000) will mature at the stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2025	\$80,000
2026	85,000
2027	90,000
Total	\$255,000

The remaining principal amount of the term bonds (\$95,000) will mature at the stated maturity on December 1, 2028.

On September 22, 2009, the City issued \$3,460,000 in street improvement bonds. These bonds were issued to help retire \$3,708,000 of notes issued for improvements to the Northwest Quadrant. The general obligation bonds will be paid from property and income taxes from the general obligation bond retirement debt service fund. The bonds were issued for a twenty year period with a final maturity on December 1, 2029.

On July 21, 2010 the City issued 245,000 in general obligation bonds for the Windy Hill Street Waterline and the Thornapple Street Waterline. The bonds were issued for a twenty year period with a final maturity on December 1, 2030.

On July 1, 1996, the City entered into \$526,579 in an OPWC loan for the installation of a waterline on Pinetree Road. The loan is a twenty year interest free with a final maturity on July 1, 2016.

On April 4, 2007, the City entered into \$842,061 in an OPWC loan to help finance the Brainard Road Relocation project. The loan is a twenty year interest free with a final maturity on January 1, 2027.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2010*

As of December 31, 2010, the City's overall legal debt margin was \$33,541,434. The unvoted legal debt margin was \$13,677,508. Principal and interest requirements to retire the long-term general obligation bonds and the OPWC loans as of December 31, 2010 are as follows:

	General Obligation Bonds				OPWC Loan
	Serial		Term		
	Principal	Interest	Principal	Interest	
2011	\$660,000	\$352,026	\$0	\$0	\$68,407
2012	385,000	326,395	0	0	68,407
2013	385,000	313,483	0	0	68,407
2014	405,000	299,745	0	0	68,407
2015	410,000	285,033	0	0	68,407
2016-2020	1,915,000	1,102,435	190,000	85,525	236,819
2021-2025	1,015,000	321,651	1,450,000	413,200	210,515
2026-2030	975,000	102,679	770,000	65,250	63,157
Total	\$6,150,000	\$3,103,447	\$2,410,000	\$563,975	\$852,526

**Note 17 – Jointly Governed Organizations**

***Northeast Ohio Public Energy Council (NOPEC)***

The City is a member of the NOPEC, 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 and natural gas. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas 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 and natural gas 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 City of Pepper Pike did not contribute to NOPEC during 2010. Financial information can be obtained by contacting 31320 Solon Road, Suite 20, Solon, Ohio 11120.

***Valley Enforcement Regional Council of Governments***

The City 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.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

City of Pepper Pike

Cuyahoga County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matter's Required

By *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 4, 2011.

We intend this report solely for the information and use of management, City Council and others within the City. We intend it for no one other than these specified parties.

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

November 4, 2011



# Dave Yost • Auditor of State

**CITY OF PEPPER PIKE**

**CUYAHOGA COUNTY**

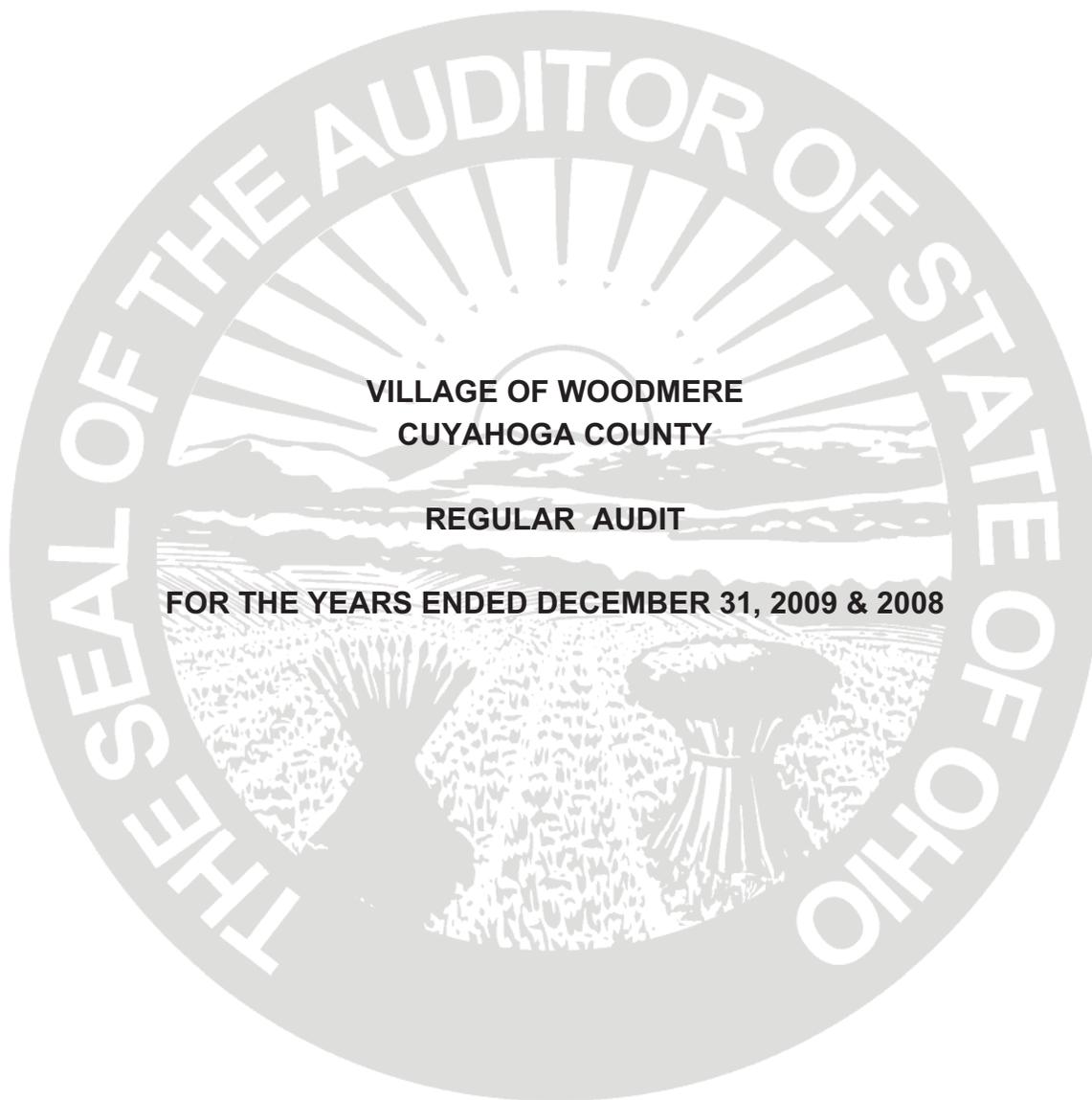
**CLERK'S CERTIFICATION**

**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  
NOVEMBER 29, 2011**



**Mary Taylor, CPA**  
Auditor of State





# Dave Yost • Auditor of State

January 13, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

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VILLAGE OF WOODMERE  
CUYAHOGA COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15

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**Mary Taylor, CPA**  
Auditor of State

Village of Woodmere  
Cuyahoga County  
27899 Chagrin Boulevard  
Woodmere, Ohio 44122

To the Members of Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

December 21, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Woodmere  
Cuyahoga County  
27899 Chagrin Boulevard  
Woodmere, Ohio 44122

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Woodmere, Cuyahoga County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, 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 Village of Woodmere, Cuyahoga County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

December 21, 2010

VILLAGE OF WOODMERE  
CUYAHOGA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$1,956,586	\$65,441	\$0	\$0	\$0	\$2,022,027
Intergovernmental Receipts	63,672	94,981	0	320,000	0	478,653
Special Assessments	0	0	131,436	0	0	131,436
Charges for Services	23,433	0	0	0	0	23,433
Fines, Licenses and Permits	150,172	10,517	0	0	0	160,689
Miscellaneous	3,780	0	0	0	0	3,780
<b>Total Cash Receipts</b>	<b>2,197,643</b>	<b>170,939</b>	<b>131,436</b>	<b>320,000</b>	<b>0</b>	<b>2,820,018</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,256,721	107,273	0	0	0	1,363,994
Community Environment	7,100	0	0	0	0	7,100
Basic Utility Service	43,935	18,770	0	0	0	62,705
Transportation	61,334	32,797	0	8,263	0	102,394
General Government	870,046	10,682	0	17,343	0	898,071
Debt Service:						0
Redemption of Principal and Interest	11,226		374,380	11,305	0	396,911
Capital Outlay	6,154	54,709	0	363,695	0	424,558
<b>Total Cash Disbursements</b>	<b>2,256,516</b>	<b>224,231</b>	<b>374,380</b>	<b>400,606</b>	<b>0</b>	<b>3,255,733</b>
Total Receipts Over/(Under) Disbursements	(58,873)	(53,292)	(242,944)	(80,606)	0	(435,715)
<b>Other Financing Receipts / (Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Sale of Notes	0	0	270,000	0	0	270,000
Sale of Fixed Assets	0	0	0	19,500	0	19,500
Transfers-In	0	0	0	12,500	0	12,500
Transfers-Out	(12,500)	0	0	0	0	(12,500)
Advances-In	0	30,481	0	0	0	30,481
Advances-Out	(30,481)	0	0	0	0	(30,481)
Non-Operating Receipts	0	0	0	0	229,033	229,033
Non-Operating Disbursements	0	0	0	0	(219,987)	(219,987)
Other Financing Sources	27,520	0	0	0	0	27,520
Other Financing Uses	(431)	0	0	0	0	(431)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(15,892)</b>	<b>30,481</b>	<b>270,000</b>	<b>32,000</b>	<b>9,046</b>	<b>325,635</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(74,765)	(22,811)	27,056	(48,606)	9,046	(110,080)
Fund Cash Balances, January 1, 2009	259,161	158,192	221	177,116	244,221	838,911
<b>Fund Cash Balances, December 31, 2009</b>	<b>\$184,396</b>	<b>\$135,381</b>	<b>\$27,277</b>	<b>\$128,510</b>	<b>\$253,267</b>	<b>\$728,831</b>
Reserve for Encumbrances, December 31, 2009	\$8,904	\$1,488	\$0	\$0	\$1,133	\$11,525

VILLAGE OF WOODMERE  
CUYAHOGA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$1,974,215	\$70,518	\$0	\$0	\$0	\$2,044,733
Intergovernmental Receipts	98,709	59,127	0	0	0	157,836
Special Assessments	0	0	64,946	0	0	64,946
Charges for Services	17,280	0	0	0	0	17,280
Fines, Licenses and Permits	114,193	9,827	0	0	0	124,020
Miscellaneous	19,046	39,457	750	0	0	59,253
<b>Total Cash Receipts</b>	<b>2,223,443</b>	<b>178,929</b>	<b>65,696</b>	<b>0</b>	<b>0</b>	<b>2,468,068</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,320,887	134,768	0	0	0	1,455,655
Public Health Services	3,699	0	0	0	0	3,699
Community Environment	7,150	0	0	0	0	7,150
Basic Utility Service	58,854	0	0	0	0	58,854
Transportation	78,043	27,613	0	486	0	106,142
General Government	805,947	2,670	1,079	3,553	0	813,249
Debt Service:						
Redemption of Principal and Interest	11,115	0	386,020	11,305	0	408,440
Capital Outlay	2,804	28,109	0	423	0	31,336
<b>Total Cash Disbursements</b>	<b>2,288,499</b>	<b>193,160</b>	<b>387,099</b>	<b>15,767</b>	<b>0</b>	<b>2,884,525</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(65,056)</b>	<b>(14,231)</b>	<b>(321,403)</b>	<b>(15,767)</b>	<b>0</b>	<b>(416,457)</b>
<b>Other Financing Receipts / (Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Sale of Notes	0	0	285,000	0	0	285,000
Transfers-In	60,000	0	0	12,500	0	72,500
Transfers-Out	(72,500)	0	0	0	0	(72,500)
Advances-In	0	5,000	0	0	0	5,000
Advances-Out	(5,000)	0	0	0	0	(5,000)
Non-Operating Receipts	0	0	0	0	190,766	190,766
Non-Operating Disbursements	0	0	0	0	(182,726)	(182,726)
Other Financing Sources	34,592	0	0	0	0	34,592
Other Financing Uses	(50)	0	0	0	0	(50)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>17,042</b>	<b>5,000</b>	<b>285,000</b>	<b>12,500</b>	<b>8,040</b>	<b>327,582</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(48,014)</b>	<b>(9,231)</b>	<b>(36,403)</b>	<b>(3,267)</b>	<b>8,040</b>	<b>(88,875)</b>
<b>Fund Cash Balances, January 1, 2008</b>	<b>307,175</b>	<b>167,423</b>	<b>36,624</b>	<b>180,383</b>	<b>236,181</b>	<b>927,786</b>
<b>Fund Cash Balances, December 31, 2008</b>	<b>\$259,161</b>	<b>\$158,192</b>	<b>\$221</b>	<b>\$177,116</b>	<b>\$244,221</b>	<b>\$838,911</b>
<b>Reserve for Encumbrances, December 31, 2008</b>	<b>\$20,904</b>	<b>\$29,211</b>	<b>\$0</b>	<b>\$7,582</b>	<b>\$3,460</b>	<b>\$61,157</b>

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

**VILLAGE OF WOODMERE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Woodmere, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides general governmental services, including police, fire, building inspection and recreation programs.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio is recorded at share values the mutual fund reports.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

VILLAGE OF WOODMERE  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. **Fund Accounting (Continued)**

2. **Special Revenue Funds (Continued)**

Law Enforcement Trust Fund – This fund receives state funding that is used for police department operations.

Fire Levy Fund – This fund receives tax monies that are used for fire department operations.

3. **Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

General Bond Retirement Fund - This fund received note proceeds from levied property taxes to pay the costs of acquiring certain real estate for Village safety, service, park and recreational purposes.

Special Assessments Retirement Fund – This fund receives special assessment monies from a local business which are used to retire debt service payments for a road project.

4. **Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Land Acquisition Fund – This fund receives OPWC monies for sanitary sewer projects.

Roselawn/Avondale Fund – This fund receives OPWC monies for sanitary sewer projects.

Irving Park/Maplecrest Fund – This fund receives OPWC monies to fund road projects.

TCSP Fund – This fund receives federal and local monies to study the Chagrin Corridor project.

5. **Fiduciary Funds - Agency Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's Agency Funds account for Mayor's Court and building bond deposit activity.

**VILLAGE OF WOODMERE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 or object level of control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF WOODMERE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$360,083	\$48,118
Investments:		
STAR Ohio	81,052	210,582
Repurchase agreement	287,696	580,211
Total Investments	<u>368,748</u>	<u>790,793</u>
Total demand deposits and Investments	<u>\$728,831</u>	<u>\$838,911</u>

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Village's financial institution transfers securities to the Village's agent to collateralized repurchase agreements. The securities are not in the Village's name.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,284,455	\$2,225,163	(\$59,292)
Special Revenue	172,087	170,939	(1,148)
Debt Service	401,436	401,436	0
Capital Projects	32,000	352,000	320,000
Agency	197,100	229,033	31,933
Total	<u>\$3,087,078</u>	<u>\$3,378,571</u>	<u>\$291,493</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,385,473	\$2,278,351	\$107,122
Special Revenue	298,714	225,719	72,995
Debt Service	376,000	374,380	1,620
Capital Projects	467,794	400,606	67,188
Agency	272,485	221,120	51,365
Total	<u>\$3,800,466</u>	<u>\$3,500,176</u>	<u>\$300,290</u>

**VILLAGE OF WOODMERE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,294,062	\$2,318,035	\$23,973
Special Revenue	212,607	178,929	(33,678)
Debt Service	351,570	350,696	(874)
Capital Projects	14,130	12,500	(1,630)
Agency	179,015	190,766	11,751
Total	\$3,051,384	\$3,050,926	(\$458)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,400,561	\$2,381,953	\$18,608
Special Revenue	328,570	222,371	106,199
Debt Service	387,100	387,099	1
Capital Projects	142,401	23,349	119,052
Agency	324,892	186,186	138,706
Total	\$3,583,524	\$3,200,958	\$382,566

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 two 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 either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF WOODMERE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan 1 – Irving Park/Maplecrest	\$45,000	0 %
OPWC Loan 2 – Roselawn/Avondale	32,340	0 %
General Obligation Note	270,000	6 %
Special Assessment Bonds	<u>1,128,088</u>	4.1% thru 2014 and 5.5% thereafter
Total	<u>\$1,475,428</u>	

The Ohio Public Works Commission (OPWC) loans relate to sanitary sewer projects. The loans will be repaid in annual installments of \$11,305, interest free, over 20 years. The special assessment bonds were issued on October 1, 2005 and mature on September 30, 2024. The bonds will be paid by residents benefiting from the improvements. The general obligation note will be repaid in one year.

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

Year Ending 31-Dec	<u>OPWC Loan 1</u>	<u>OPWC Loan 2</u>	<u>Special Assessment Bond</u>	<u>Total</u>
2010	\$3,750	\$1,905	\$107,535	\$113,190
2011	7,500	3,805	105,485	116,790
2012	7,500	3,805	108,435	119,740
2013	7,500	3,805	106,180	117,485
2014	7,500	3,805	148,925	160,230
2015-2019	11,250	15,215	533,925	560,390
2020-2024			550,025	550,025
Total	<u>\$45,000</u>	<u>\$32,340</u>	<u>\$1,660,510</u>	<u>\$1,737,850</u>

**7. Retirement Systems**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5 percent police participants and 24 percent of fire participant wages, respectively. For 2009 and 2008, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF WOODMERE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**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.

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Pool (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, joint administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile. Excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the Plan retains the lesser of 15 percent or \$37,500 of casualty losses and the lesser of 10 percent or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and December 31, 2008:

	2009	2008
Assets	\$11,176,186	\$10,471,114
Liabilities	(4,852,485)	(5,286,781)
Member's Equity	\$6,323,701	\$5,184,333

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohiopalm.org](http://www.ohiopalm.org)

**VILLAGE OF WOODMERE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**9. Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



**Mary Taylor, CPA**  
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Woodmere  
Cuyahoga County  
27899 Chagrin Boulevard  
Woodmere, Ohio 44122

To Members of the Village Council:

We have audited the financial statements of the Village of Woodmere, Cuyahoga County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 21, 2010 wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 21, 2010.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 21, 2010

# Local Government Innovation Fund Program

## *Application Scoring*

<b>Lead Applicant</b>	Cuyahoga County
<b>Project Name</b>	Merger/Shared Services Study

<input checked="" type="checkbox"/>	<b>Grant Application</b>
-------------------------------------	--------------------------

**or**

<input type="checkbox"/>	<b>Loan Application</b>
--------------------------	-------------------------

The Local Government Innovation Fund Council  
77 South High Street  
P.O. Box 1001  
Columbus, Ohio 43216-1001  
(614) 995-2292

## Local Government Innovation Fund Project Scoring Sheet

### Section 1: Financing Measures

Financing Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
Financial Information	<i>Applicant includes financial information (i.e., service related operating budgets) for the most recent three years and the three year period following the project. The financial information must be directly related to the scope of the project and will be used as the cost basis for determining any savings resulting from the project.</i>	Applicant provides a thorough, detailed and complete financial information	5	<input checked="" type="radio"/>	
		Applicant provided more than minimum requirements but did not provide additional justification or support	3	<input type="radio"/>	
		Applicant provided minimal financial information	1	<input type="radio"/>	
		<b>Points</b>		5	0
Repayment Structure (Loan Only)	<i>Applicant demonstrates a viable repayment source to support loan award. Secondary source can be in the form of a debt reserve, bank participation, a guarantee from a local entity, or other collateral (i.e., emergency rainy day, or contingency fund, etc.).</i>	Applicant clearly demonstrates a secondary repayment source.	5	<input type="radio"/>	
		Applicant does not have a secondary repayment source.	0	<input type="radio"/>	
		<b>Points</b>		0	0
Local Match	<i>Percentage of local matching funds being contributed to the project. This may include in-kind contributions.</i>	70% or greater	5	<input type="radio"/>	
		40-69.99%	3	<input checked="" type="radio"/>	
		10-39.99%	1	<input type="radio"/>	
		<b>Points</b>		3	0
<b>Total Section Points</b>				8	0

### Section 2: Collaborative Measures

Collaborative Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
Population	<i>Applicant's population (or the population of the area(s) served) falls within one of the listed categories as determined by the U.S. Census Bureau. Population scoring will be determined by the <b>smallest</b> population listed in the application. Applications from (or collaborating with) small communities are preferred.</i>	Applicant (or collaborative partner) is not a county and has a population of less than 20,000 residents	5	<input checked="" type="radio"/>	
		Applicant (or collaborative partner) is a county but has less than 235,000	5	<input type="radio"/>	
		Applicant (or collaborative partner) is not a county but has a population 20,001 or greater.	3	<input type="radio"/>	
		Applicant (or collaborative partner) is a county with a population of 235,001 residents or more	3	<input type="radio"/>	
		<b>Points</b>		5	0
Participating Entities	<i>Applicant has executed partnership agreements outlining all collaborative partners and participation agreements and has resolutions of support. (Note: Sole applicants only need to provide a resolution of support from its governing entity.)</i>	More than one applicant	5	<input checked="" type="radio"/>	
		Single applicant	1	<input type="radio"/>	
		<b>Points</b>		5	0
<b>Total Section Points</b>				10	0

## Local Government Innovation Fund Project Scoring Sheet

### Section 3: Success Measures

Success Measures	Description	Criteria	Points	Applicant Self Score	Validated Score
Expected Return	<i>Applicant demonstrates as a percentage of savings (i.e., actual savings, increased revenue, or cost avoidance ) an expected return. The return must be derived from the applicant's cost basis. The expected return is ranked in one of the following percentage categories:</i>	75% or greater	30	<input checked="" type="radio"/>	
		25.01% to 74.99%	20	<input type="radio"/>	
		Less than 25%	10	<input type="radio"/>	
			<b>Points</b>	30	0
Past Success	<i>Applicant has successfully implemented, or is following project guidance from a shared services model, for an efficiency, shared service, coproduction or merger project in the past.</i>	Yes	5	<input checked="" type="radio"/>	
		No	0	<input type="radio"/>	
			<b>Points</b>	5	0
Scalable/Replicable Proposal	<i>Applicant's proposal can be replicated by other local governments or scaled for the inclusion of other local governments.</i>	The project is both scalable and replicable	10	<input checked="" type="radio"/>	
		The project is either scalable or replicable	5	<input type="radio"/>	
		Does not apply	0	<input type="radio"/>	
			<b>Points</b>	10	0
Probability of Success	<i>Applicant provides a documented need for the project and clearly outlines the likelihood of the need being met.</i>	Provided	5	<input checked="" type="radio"/>	
		Not Provided	0	<input type="radio"/>	
			<b>Points</b>	5	0
<b>Total Section Points</b>				50	0

### Section 4: Significance Measures

Significance Measures	Description	Criteria	Points Assigned	Applicant Self Score	Validated Score
Performance Audit Implementation /Cost Benchmarking	<i>The project implements a single recommendation from a performance audit provided by the Auditor of State under Chapter 117 of the Ohio Revised Code or is informed by cost benchmarking.</i>	Project implements a recommendation from an audit or is informed by benchmarking	5	<input checked="" type="radio"/>	
		Project does not implement a recommendation from an audit and is not informed by benchmarking	0	<input type="radio"/>	
			<b>Points</b>	5	0
Economic Impact	<i>Applicant demonstrates the project will a promote business environment (i.e., demonstrates a business relationship resulting from the project) and will provide for community attraction (i.e., cost avoidance with respect to taxes)</i>	Applicant clearly demonstrates economic impact	5	<input checked="" type="radio"/>	
		Applicant mentions but does not prove economic impact	3	<input type="radio"/>	
		Applicant does not demonstrate an economic impact	0	<input type="radio"/>	
			<b>Points</b>	5	0
Response to Economic Demand	<i>The project responds to current substantial changes in economic demand for local or regional government services.</i>	Yes	5	<input checked="" type="radio"/>	
		No	0	<input type="radio"/>	
			<b>Points</b>	5	0
<b>Total Section Points</b>				15	0

Section 5: Council Measures			
Council Measures	Description	Criteria	Points Assigned
Council Preference	Council Ranking for Competitive Rounds	<b>The Applicant Does Not Fill Out This Section;</b> This is for the Local Government Innovation Fund Council only. The points for this section is based on the applicant demonstrating innovation or inventiveness with the project	
<b>Total Section Points (10max)</b>			

Scoring Summary			
		Applicant Self Score	Validated Score
Section 1: Financing Measures		8	0
Section 2: Collaborative Measures		10	0
Section 3: Success Measures		50	0
Section 4: Significance Measures		15	0
<b>Total Base Points:</b>		<b>83</b>	<b>0</b>

Reviewer Comments



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF WOODMERE**

**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  
JANUARY 13, 2011**

**Tab 5: Supporting Documentation**

**SD5.4 Documentation from the 2010 U.S. Census Identifying each Municipality**

	Moreland Hills		Orange		Pepper Pike		Woodmere		Combined	
	#	%	#	%	#	%	#	%	#	%
Incorporated	1929		1928		1924		1944			
Square miles	7.25		3.8		7.09		0.33		18.47	
2010 Population	3,320		3,323		5,979		884		13,506	
2010 Population Density (persons per square mile)	457.93		874.47		843.30		2,678.79		731.24	
<b>1990 - 2010 Growth Trends</b>										
<b>Total Population</b>										
2010 Population	3,320		3,323		5,979		884		13,506	
2000 Population	3,298		3,236		6,040		828		13,402	
2000-2010 Change	22	0.70%	87	2.70%	-61	-1.00%	56	6.80%	104	0.8%
1990 Population	3,354		2,810		6,185		834		13,183	
1990-2000 Change	-56	-1.67%	426	15.16%	-145	-2.34%	-6	-0.72%	219	1.66%
<b>Total Households</b>										
2010 Households	1,262		1,277		2,176		446		5,161	
2000 Households	1,286		1,170		2,203		424		5,083	
2000-2010 Change	-24	-1.87%	107	9.15%	-27	-1.23%	22	5.19%	78	1.53%
1990 Households	1,251		997		2,107		462		4,817	
1990-2000 Change	35	2.80%	173	17.35%	96	4.56%	-38	-8.23%	266	5.52%
<b>Total Housing Units</b>										
2010 Housing Units	1,376		1,374		2,349		468		5,567	
2000 Housing Units	1,341		1,236		2,296		460		5,333	
2000-2010 Change	35	2.61%	138	11.17%	53	2.31%	8	1.74%	234	4.39%
1990 Housing Units	1,290		1,047		2,170		484		4,991	
1990-2000 Change	51	3.95%	189	18.05%	126	5.81%	(24)	-4.96%	342	6.85%
<b>2010 Demographic Characteristics</b>										
<b>Total Population</b>										
Median Age	49.1		46.8		49.2		37.9			
Under 18	803	24.2%	824	24.8%	1,412	23.6%	208	23.5%	3,247	24.0%
Over 18	2,517	75.8%	2,499	75.2%	4,567	76.4%	676	76.5%		
65 years and Older	618	18.6%	602	18.1%	1,398	23.4%	97	11.0%	2,715	20.1%
<b>Total Households</b>										
Households with children under 18	413	32.7%	427	33.4%	682	31.3%	128	28.7%	1,650	32.0%
Households with person 65 yrs and Older	426	33.8%	421	33.0%	847	38.9%	83	18.6%	1,777	34.4%
Average Household size	2.63		2.59		2.59		1.98			

**Tab 5: Supporting Documentation**

	Moreland Hills		Orange		Pepper Pike		Woodmere		Combined	
	#	%	#	%	#	%	#	%	#	%
<b>Racial Characteristics</b>										
White	2,976	89.6%	2,562	77.1%	5,158	86.3%	261	29.5%	10,957	81.1%
Minority	344	10.4%	761	22.9%	821	13.7%	623	70.5%	2,549	18.9%
<b>Housing Occupancy</b>										
Total Housing Units	1,376		1,374		2,349		468		5,567	
Occupied Units	1,262		1,277		2,176		446		5,161	
Owner Occupied	1,186		1,182		2,063		137		4,568	
% of Occupied Units		94.0%		92.6%		94.8%		30.7%	-	88.5%
Vacant	114		97		173		22		406	
% of total Units		8.3%		7.1%		7.4%		4.7%	-	7.3%
<b>Income</b>										
Average family Income	\$241,860		\$159,283		\$205,168		\$55,841		\$192,690	
Percent below poverty level	0		2%		4%		1%		3%	
<b>Education</b>										
High school degree	97%		98%		97%		94%		97%	
College degree	73%		72%		70%		44%		70%	



April 2, 2012

Ed Jerse  
Cuyahoga County  
1219 Ontario Street, 4th Floor  
Cleveland, Ohio 44113

RE: Application Cure Letter

Dear Ed Jerse:

The Ohio Department of Development (Development) has received and is currently reviewing your application for Round 1 of Local Government Innovation Fund program. During this review Development has determined that additional information is needed for your application. The identified item(s) requiring your attention are listed on the attached page(s). Please respond only to the issues raised. Failure to fully address all the identified items could lead to a competitive score reduction or ineligibility for Round 1 of the Local Government Innovation Fund program. **A written response from the applicant to this completeness review is due to Development no later than 5:00 p.m. on April 30, 2012.** Please send the response in a single email to [lgif@development.ohio.gov](mailto:lgif@development.ohio.gov) and include "Cure—Project Name" in the subject line.

While this cure letter represents the additional information needed for Development review, the Local Government Innovation Council continues to reserve the right to request additional information about your application.

Thank you once again for your participation in Local Government Innovation program. Please contact the Office of Redevelopment at [lgif@development.ohio.gov](mailto:lgif@development.ohio.gov) or 614-995-2292 if you have further questions regarding your application or the information requested in this letter.

Sincerely,

Thea J. Walsh, AICP  
Deputy Chief, Office of Redevelopment  
Ohio Department of Development

## Local Government Innovation Fund Completeness Review

**Applicant:** Cuyahoga County  
**Project Name:** Merger/Shared Services Study  
**Request Type:** Grant

### Issues for Response

**1. Self-Score Assessment**

Please complete the interactive selection methodology available on the LGIF program website <http://www.development.ohio.gov/Urban/LGIF.htm> (select selection methodology) to score your project. Applicants do not need to complete the Council Preference or score validation sections when scoring their projects.

**2. Population Information and Documentation**

Please provide documentation supporting population information provided using the 2010 U.S. Census. To access census information, you may visit the following website <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>.

**VILLAGE OF WOODMERE  
OHIO  
RESOLUTION NO. 2012-30**

**A RESOLUTION AUTHORIZING THE MAYOR TO ENTER INTO A  
MEMORANDUM OF MUTUAL UNDERSTANDING AND COLLABORATION  
BETWEEN CUYAHOGA COUNTY AND THE VILLAGE OF MORELAND  
HILLS, VILLAGE OF ORANGE, CITY OF PEPPER PIKE AND THE VILLAGE OF  
WOODMERE AND DECLARING AN EMERGENCY**

WHEREAS, the Village of Woodmere, the Village of Moreland Hills, Orange Village and the City of Pepper Pike are committed to studying the merits of merging municipalities and evaluating the opportunities for shared service efficiencies; and

WHEREAS, Cuyahoga County, through the Department of Regional Collaboration and the Cuyahoga County Planning Commission would like to serve as collaborative partners with Moreland Hills, Orange, Pepper Pike and Woodmere to facilitate the Merger/Shared Services Study process; and

WHEREAS, Cuyahoga County would like to seek funding from the State of Ohio Department of Development , Local Government Innovation Fund on behalf of Moreland Hills, Orange, Pepper Pike and Woodmere to support this Merged/Shared Services study process, particularly as it pertains to process implementation; and

WHEREAS, in accordance with the application procedures for the Local Government Innovation Fund, the State of Ohio, Department of Development, requests a resolution of support from the applicant's and collaborative partner's governing entity; and

WHEREAS, the Local Government Innovation Fund was established to provide financial assistance to Ohio political subdivisions for planning and implementing projects that are projected to create more efficient and effective service delivery within a specific discipline of government services for one or more entities; and

WHEREAS, through the Local Government Innovation Fund, the Ohio Department of Development seeks to promote efficiency, collaboration, merger, and shared services among local governments; and

WHEREAS, the Local Government Innovation grant funding represents one of the key sources of funding necessary to study the merits of merging its municipalities and evaluate the opportunities for shared service efficiencies.

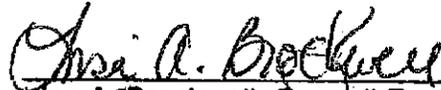
**NOW, THEREFORE,** Be it Resolved by the Council of the Village of Woodmere, County of Cuyahoga, State of Ohio, that:

Section 1. Village Council hereby authorizes the Mayor, on behalf of the Village of Woodmere to execute the Shared Services Study Agreement with the Village of Moreland Hills, Orange Village, and the City of Pepper Pike in collaboration with Cuyahoga County for the purposes as stated above and as is more fully described in the Memorandum of Mutual Understanding and Collaboration as outlined in Exhibit "A" attached hereto and incorporated herein as if fully rewritten.

Section 2. It is found and determined that all formal actions of this Council concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Council, and that all deliberations of this Council and of any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with all legal requirements including Section 121.22 of the Ohio Revised Code.

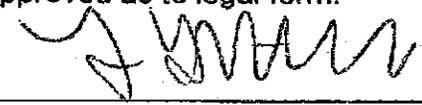
Section 3. This Resolution is hereby determined to be an emergency measure necessary for the immediate preservation of the public peace, health, safety and welfare of the inhabitants of the Village since it is in the Village's best interests to explore all opportunities for shared costs for services reduce Village expenditures. Therefore, provided it receives two-thirds (2/3) of the vote of all members of Council elected thereto, said Resolution shall be in full force and effect immediately upon its adoption by the Council and approval by the Mayor, otherwise from and after the earliest period allowed by law.

PASSED 3-21-2012

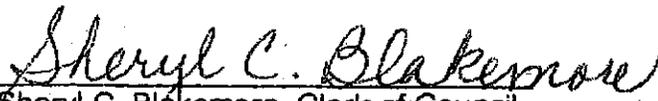
  
 Lisa A. Brockwell, Council President

  
 Charles Smith, Jr., Mayor

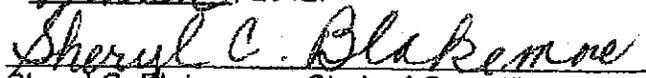
Approved as to legal form:

  
 Ross S. Girincione, Director of Law

ATTEST:

  
 Sheryl C. Blakemore, Clerk of Council

I, Sheryl C. Blakemore, as Clerk of Council of the Village of Woodmere, Ohio do hereby certify that the foregoing is a true and correct copy of Ordinance No. 2012-30 adopted by the Council of said Municipality on the 21<sup>st</sup> day of March, 2012.

  
 Sheryl C. Blakemore, Clerk of Council



**EDWARD FITZGERALD**  
Cuyahoga County Executive

April 24, 2012

Thea Walsh  
Deputy Chief, Office of Redevelopment  
Ohio Department of Development  
77 South High Street  
Columbus, Ohio 43216

RE: Cure-Merger/Shared Services Study

Dear Ms. Walsh:

The Ohio Department of Development requested that Cuyahoga County address two items for cure in the Merger/Shared Services Study Local Government Innovation Fund application. The cure items and their respective responses are below.

#### 1. Self-Score Assessment

The application cure letter requested that Cuyahoga County complete the interactive selection methodology, the Self-Scoring Assessment, which should have been placed at the end of the Merger/Shared Services Study application under Tab 5.5. The Self-Scoring Assessment was included in the submitted application but was inadvertently placed three pages too early in the PDF document. The Self-Score Assessment can be found beginning on page 491 of the Merger/Shared Services Study application.

Please note that we did address the inadvertent placement of the Assessment on March 2, 2012 with Ms. Nyla Potter of the Ohio Department of Development who indicated that it was 'no problem.' Please see that conversation attached. Ms. Potter also confirmed the original inclusion of the Assessment by phone on April 16, 2012. However, to avoid further confusion, we have attached an additional copy of the Assessment to this letter.

#### 2. Population Information and Documentation

The application cure letter requested that Cuyahoga County provide documentation supporting population information provided using the 2010 U.S. Census. Supporting population information was included in the submitted Merger/Shared Services Study application, but did not include documentation from the U.S. Census Bureau. The documentation taken directly from the 2010 U.S. Census information for Moreland Hills, Orange Village, Pepper Pike, Woodmere, and Cuyahoga County is attached to this letter.

This letter and its attachments respond to both items for cure requested by Ohio Department of Development. A confirmation of receipt from the Ohio Department of

Development of this response letter would be greatly appreciated. Should there be any additional questions or items for cure in the Merger/Shared Services Study Local Government Innovation Fund application, Cuyahoga County will be happy to respond to those requests.

Thank you,



Ed Jerse  
Cuyahoga County  
Director of Regional Collaboration  
1219 Ontario Street, 4<sup>th</sup> Floor  
Cleveland, Ohio 44113

Attachments (4):

Communications regarding Self-Score Assessment

Copy of Self-Score Assessment

U.S. Census Bureau Population Information and Documentation

Application Cure Letter

**Emily Lundgard - RE: Cuyahoga County - Submission Confirmation**

---

**From:** "Potter, Nyla" <Nyla.Potter@development.ohio.gov>  
**To:** Emily Lundgard <elundgard@cuyahogacounty.us>  
**Date:** 3/2/2012 11:50 AM  
**Subject:** RE: Cuyahoga County - Submission Confirmation

---

Emily,

No problem. Thanks for asking.

Nyla

**Nyla Potter**  
Loan Officer  
Office of Redevelopment  
614-728-0989  
[Nyla.Potter@development.ohio.gov](mailto:Nyla.Potter@development.ohio.gov)

---

Email to and from the Ohio Department of Development is open to public inspection under Ohio's public record law. Unless a legal exemption applies, this message and any response to it will be released if requested.

---

The State of Ohio is an Equal Opportunity Employer and Provider of ADA Services.

---

**From:** Emily Lundgard [mailto:elundgard@cuyahogacounty.us]  
**Sent:** Friday, March 02, 2012 9:08 AM  
**To:** Potter, Nyla  
**Subject:** RE: Cuyahoga County - Submission Confirmation

Nyla,

I was reviewing the Cuyahoga County - Merger.Shared Services Study LGIF Application when I realized that section 5.5 (Self-scoring assessment), which should come at the very end of the document, actually was placed a few of pages too early in the document. Is this a significant problem? Please let me know if I should email you with the corrected order, I am happy to do so.

Thanks so much,

Emily

Emily M. Lundgard  
Special Assistant  
Department of Regional Collaboration  
1219 Ontario Street, 4th Floor  
Cleveland, Ohio 44113

# Local Government Innovation Fund Program

## *Application Scoring*

<b>Lead Applicant</b>	Cuyahoga County
<b>Project Name</b>	Merger/Shared Services Study

<input checked="" type="checkbox"/>	<b>Grant Application</b>
-------------------------------------	--------------------------

or

<input type="checkbox"/>	<b>Loan Application</b>
--------------------------	-------------------------

The Local Government Innovation Fund Council  
77 South High Street  
P.O. Box 1001  
Columbus, Ohio 43216-1001  
(614) 995-2292

## Local Government Innovation Fund Project Scoring Sheet

### Section 1: Financing Measures

Financing Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
Financial Information	<i>Applicant includes financial information (i.e., service related operating budgets) for the most recent three years and the three year period following the project. The financial information must be directly related to the scope of the project and will be used as the cost basis for determining any savings resulting from the project.</i>	Applicant provides a thorough, detailed and complete financial information	5	<input checked="" type="radio"/>	
		Applicant provided more than minimum requirements but did not provide additional justification or support	3	<input type="radio"/>	
		Applicant provided minimal financial information	1	<input type="radio"/>	
		<b>Points</b>		5	
Repayment Structure (Loan Only)	<i>Applicant demonstrates a viable repayment source to support loan award. Secondary source can be in the form of a debt reserve, bank participation, a guarantee from a local entity, or other collateral (i.e., emergency rainy day, or contingency fund, etc.).</i>	Applicant clearly demonstrates a secondary repayment source.	5	<input type="radio"/>	
		Applicant does not have a secondary repayment source.	0	<input type="radio"/>	
		<b>Points</b>		0	
Local Match	<i>Percentage of local matching funds being contributed to the project. This may include in-kind contributions.</i>	70% or greater	5	<input type="radio"/>	
		40-69.99%	3	<input checked="" type="radio"/>	
		10-39.99%	1	<input type="radio"/>	
		<b>Points</b>		3	
<b>Total Section Points</b>				8	0

### Section 2: Collaborative Measures

Collaborative Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
Population	<i>Applicant's population (or the population of the area(s) served) falls within one of the listed categories as determined by the U.S. Census Bureau. Population scoring will be determined by the smallest population listed in the application. Applications from (or collaborating with) small communities are preferred.</i>	Applicant (or collaborative partner) is not a county and has a population of less than 20,000 residents	5	<input checked="" type="radio"/>	
		Applicant (or collaborative partner) is a county but has less than 235,000	5	<input type="radio"/>	
		Applicant (or collaborative partner) is not a county but has a population 20,001 or greater.	3	<input type="radio"/>	
		Applicant (or collaborative partner) is a county with a population of 235,001 residents or more	3	<input type="radio"/>	
		<b>Points</b>		5	
Participating Entities	<i>Applicant has executed partnership agreements outlining all collaborative partners and participation agreements and has resolutions of support. (Note: Sole applicants only need to provide a resolution of support from its governing entity.)</i>	More than one applicant	5	<input checked="" type="radio"/>	
		Single applicant	1	<input type="radio"/>	
		<b>Points</b>		5	
<b>Total Section Points</b>				10	0

### Local Government Innovation Fund Project Scoring Sheet

#### Section 3: Success Measures

Success Measures	Description	Criteria	Points	Applicant Self Score	Validated Score
Expected Return	<i>Applicant demonstrates as a percentage of savings (i.e., actual savings, increased revenue, or cost avoidance) an expected return. The return must be derived from the applicant's cost basis. The expected return is ranked in one of the following percentage categories:</i>	75% or greater	30	<input checked="" type="radio"/>	
		25.01% to 74.99%	20	<input type="radio"/>	
		Less than 25%	10	<input type="radio"/>	
		<b>Points</b>		30	
Past Success	<i>Applicant has successfully implemented, or is following project guidance from a shared services model, for an efficiency, shared service, coproduction or merger project in the past.</i>	Yes	5	<input checked="" type="radio"/>	
		No	0	<input type="radio"/>	
		<b>Points</b>		5	
Scalable/Replicable Proposal	<i>Applicant's proposal can be replicated by other local governments or scaled for the inclusion of other local governments.</i>	The project is both scalable and replicable	10	<input checked="" type="radio"/>	
		The project is either scalable or replicable	5	<input type="radio"/>	
		Does not apply	0	<input type="radio"/>	
		<b>Points</b>		10	
Probability of Success	<i>Applicant provides a documented need for the project and clearly outlines the likelihood of the need being met.</i>	Provided	5	<input checked="" type="radio"/>	
		Not Provided	0	<input type="radio"/>	
		<b>Points</b>		5	
<b>Total Section Points</b>				50	0

#### Section 4: Significance Measures

Significance Measures	Description	Criteria	Points Assigned	Applicant Self Score	Validated Score
Performance Audit Implementation /Cost Benchmarking	<i>The project implements a single recommendation from a performance audit provided by the Auditor of State under Chapter 117 of the Ohio Revised Code or is informed by cost benchmarking.</i>	Project implements a recommendation from an audit or is informed by benchmarking	5	<input checked="" type="radio"/>	
		Project does not implement a recommendation from an audit and is not informed by benchmarking	0	<input type="radio"/>	
		<b>Points</b>		5	
Economic Impact	<i>Applicant demonstrates the project will promote a business environment (i.e., demonstrates a business relationship resulting from the project) and will provide for community attraction (i.e., cost avoidance with respect to taxes)</i>	Applicant clearly demonstrates economic impact	5	<input checked="" type="radio"/>	
		Applicant mentions but does not prove economic impact	3	<input type="radio"/>	
		Applicant does not demonstrate an economic impact	0	<input type="radio"/>	
		<b>Points</b>		5	
Response to Economic Demand	<i>The project responds to current substantial changes in economic demand for local or regional government services.</i>	Yes	5	<input checked="" type="radio"/>	
		No	0	<input type="radio"/>	
		<b>Points</b>		5	
<b>Total Section Points</b>				15	0

**Section 5: Council Measures**

Council Measures	Description	Criteria	Points Assigned
Council Preference	Council Ranking for Competitive Rounds	<b>The Applicant Does Not Fill Out This Section;</b> This is for the Local Government Innovation Fund Council only. The points for this section is based on the applicant demonstrating innovation or inventiveness with the project	
<b>Total Section Points (10max)</b>			

**Scoring Summary**

	Applicant Self Score	Validated Score
Section 1: Financing Measures	8	0
Section 2: Collaborative Measures	10	0
Section 3: Success Measures	50	0
Section 4: Significance Measures	15	0
<b>Total Base Points:</b>	<b>83</b>	<b>0</b>

**Reviewer Comments**



P1

TOTAL POPULATION  
Universe: Total population  
2010 Census Summary File 1

Note: This is a modified view of the original table.

NOTE: For information on confidentiality protection, nonsampling error, and definitions, see [http://www.census.gov/prod/cen\\_2010/doc/sf1.pdf](http://www.census.gov/prod/cen_2010/doc/sf1.pdf).

Geography	Total
Moreland Hills village, Ohio	3,320
Orange village, Ohio	3,323
Pepper Pike city, Ohio	5,979
Woodmere village, Ohio	884
Cuyahoga County, Ohio	1,280,122

Source: U.S. Census Bureau, 2010 Census.



April 2, 2012

Ed Jerse  
Cuyahoga County  
1219 Ontario Street, 4th Floor  
Cleveland, Ohio 44113

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Sincerely,

Thea J. Walsh, AICP  
Deputy Chief, Office of Redevelopment  
Ohio Department of Development

## Local Government Innovation Fund Completeness Review

**Applicant:** Cuyahoga County  
**Project Name:** Merger/Shared Services Study  
**Request Type:** Grant

### Issues for Response

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