
Citizen Auditors of Ohio

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Historical Analysis Summary – Village of Moreland Hills

The Governmental Funds (combination of General, Special Revenue, Debt Service, and Capital Funds) often referred to as the Governmental Funds of local governments; which represents all the governmental operations are recorded for the past ten (10) years, averaged for revenues and expenditures, then graphically presented for analysis in Exhibits 'A – F' with Exhibit 'G-H' containing detailed summary data from audited financial reports of the Governmental Funds and Exhibits 'I – K' represent major individual program expenditures and revenues historical graphs. The overarching principal for reporting on Governmental Funds is to present the 'big picture' of all the major operational funds and programs provided by a community for the public health, safety, and welfare of its shareholders.

Exhibit 'A' is a trending average of the total revenues, expenditures, accumulated carryover Fund Balance, and recommended minimum Governmental Fund Officers Association (GFOA) to analyze financial resources (revenues, expenditures, fund balance) for sustainability of programs, capital outlay, and stability of carryover Governmental Funds Balance. The GFOA minimum recommendation is used as a benchmark and the actual carryover funds balance is subject to various factors including unknown financial risks to revenue sources; however, any funds balance below 25% or above 100%

could be indications of under or over surplus. Exhibit 'A' indicates rising expenditures, relative stability in revenues and falling accumulated carryover funds balances resulting from deficit spending over the last six years. The accumulated carryover funds balance remains above the GFOA recommended minimum, however, rising expenditure trends will deplete this balance within the next 4-5 years potentially. The Citizen Auditors of Ohio (CAOO) recommends that communities invest the cost, time, and effort in developing a minimum funds balance policy for their major operating funds for financial planning purposes to the benefit of the Mayor, City Council, and administration.

Exhibit 'B' is a historical graph of accumulated funds balance and annual net changes (gain or loss) of the operations of the Governmental Funds. The City maintained a positive Net Change in Funds Balance until peaking in 2009 and has since then has been operating with a negative annual Net Change in Funds Balance resulting from stagnant revenue growth and deficit spending in total programs. Our recommendation of a minimum funds balance policy for major operating funds is again indicated here.

Exhibits 'C-F' are informational graphs displaying the revenues and expenditures for the past ten years averaged and comparisons of the 2014 financial results compared to the ten year averages. Averaging financial history is one method or factor in preparing financial forecasts into the future, subject of course, to many variables that can be unique to specific communities along with their proportions of residential, commercial, and industrial development. Citizen Auditors of Ohio recommends the preparation of 3-5 financial forecasts for budgetary stability and sound financial planning.

Exhibit 'H' shows that the Village of Moreland Hills in Cuyahoga County, Ohio has stagnant total revenues for 2014 of .5% over the 10 year average and is primarily due to deficits in the Net Changes in Funds Balance which began in 2009. Revenue source reductions were in Intergovernmental, Charges for Services, and Investment Income. While revenues are stagnant or declining, expenditures are increasing overall by 3.2% with increases in the all programs except Capital Outlay (down 84.8%) and Debt Service (down 35.9%). The results of operations in 2014 is a good example of why we recommend utilizing the concept of the 10 year averages rather than placing too much weight on any one individual year. A longer term financial picture allows time for proactive adjustment(s) rather than a short term financial picture which usually results in

reactive adjustments to financial operating revenues and expenditures. In 2014 with stagnant revenues compared to the 10 year average and increases in expenditures above the 10 year average, the deficit in Net Changes in Funds Balance needs to be addressed for sustainability beyond 5 years. This financial ‘big picture’ of governmental operations is an example of why a 3-5 year financial forecast is valuable in evaluating future financial issues; thereby allowing time for proactive adjustments of revenue sources or expenditures containment or a combination of both.

The Exhibits ‘I – K’ represent a historical graph of individual expenditure programs and major revenue sources.

The concept of sustainability is defined as the utilization of recurring annual revenue source(s) for core governmental operating programs, such as Debt Service, Security of Persons & Property, Transportation, General Government, Community Environment, Basic Utilities, Leisure Time Activities, and Capital Outlay. The utilization of ‘one time’ or non-recurring tax dollars should be directed to maintaining minimum funds balance policy requirements or applying excess surplus to additional Capital Outlay projects or retained for future use with adequate disclosure in the notes to the annual financial report.

In summary, our analysis reports indicate that the Village of Moreland Hills reached a plateau at the end of 2009 with its carryover governmental funds balance reaching \$11.7 million dollars which been reduced to \$6.7 million dollars at the end of 2014, or approximately 57% less. In the short term the community can sustain a reduction in its accumulated carryover governmental funds balance, however, in the long term this deficit spending in relation to revenues remaining stable appears unsustainable.

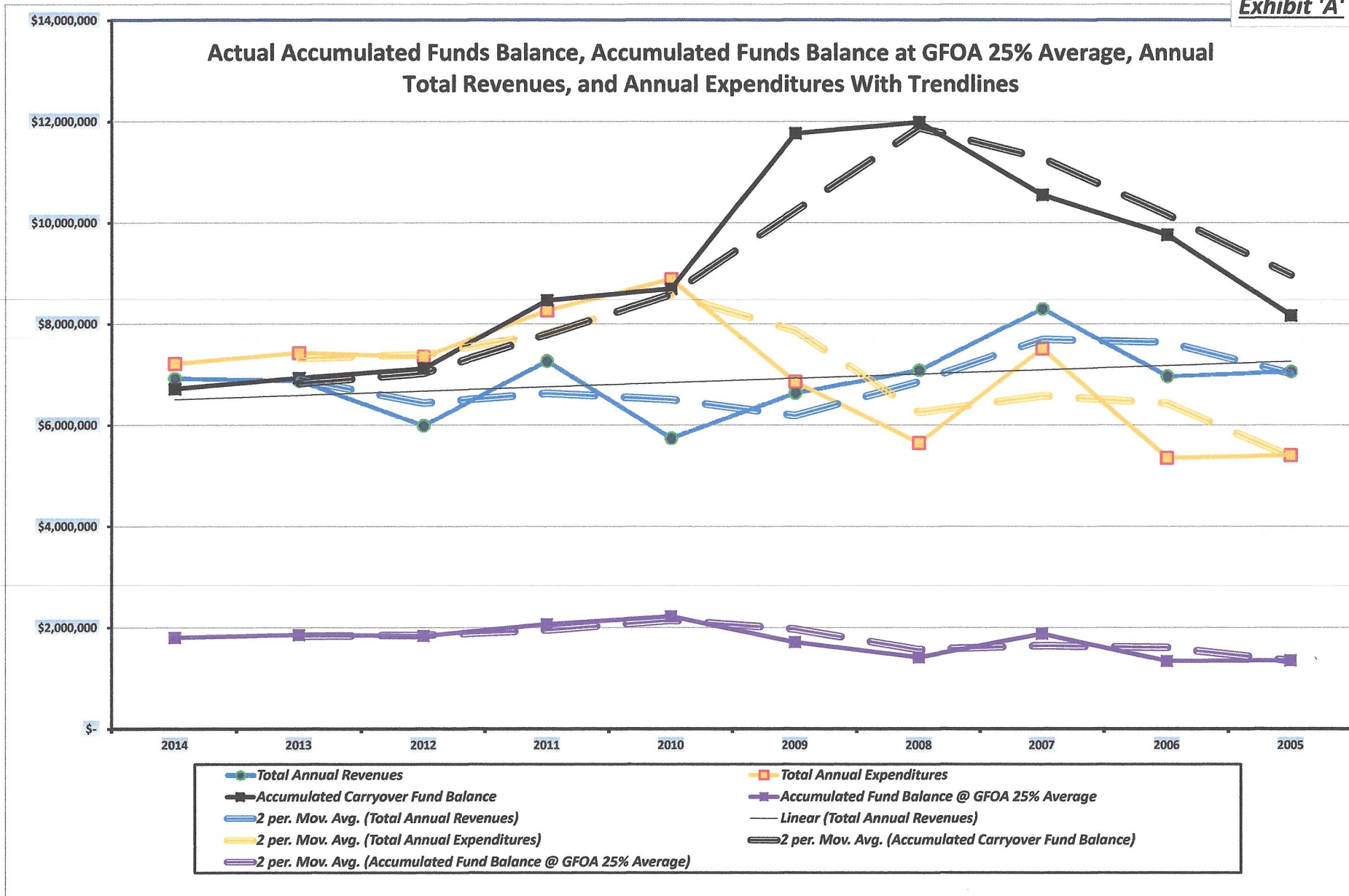
This report is prepared and presented for an analysis of historical data from the audited financial reports (State Auditor Website) of the governmental funds. The purpose is to report whether or not a community is providing for the sustainable utilization of governmental funds resources in providing for the core governmental funds operations and program(s) of the Village of Moreland Hills. It appears from our analysis reports that the Village of Moreland Hills should prepare to address the trend of deficit spending which began in 2009 in order to provide for the sustainable and stable provision of basic health, safety, and welfare of its residents on a long term basis. If the Village of Moreland Hills does not take positive steps to plan for

sustainability, it may well be facing a structural imbalance in its Governmental Funds with the next 4-5 years. The CAO concurs with the GFOA and State Auditor's office in recommending all communities invest in the process of financial planning and preparing budgetary forecasts for 3-5 years into the future. Since this community has chosen to utilize a non-GAAP (Generally Accepted Accounting Principles) financial reporting model known as Other Common Basis of Accounting (OCBOA), CAO would further recommend that this community consider preparing a General Purpose Financial Statement utilizing Generally Accepted Accounting Principles (GAAP) and return to an annual audit of its financial report(s) rather than the current bi-annual audit. This recommendation would be prudent and reasonable for any community wishing to provide sound financial planning to its shareholders.

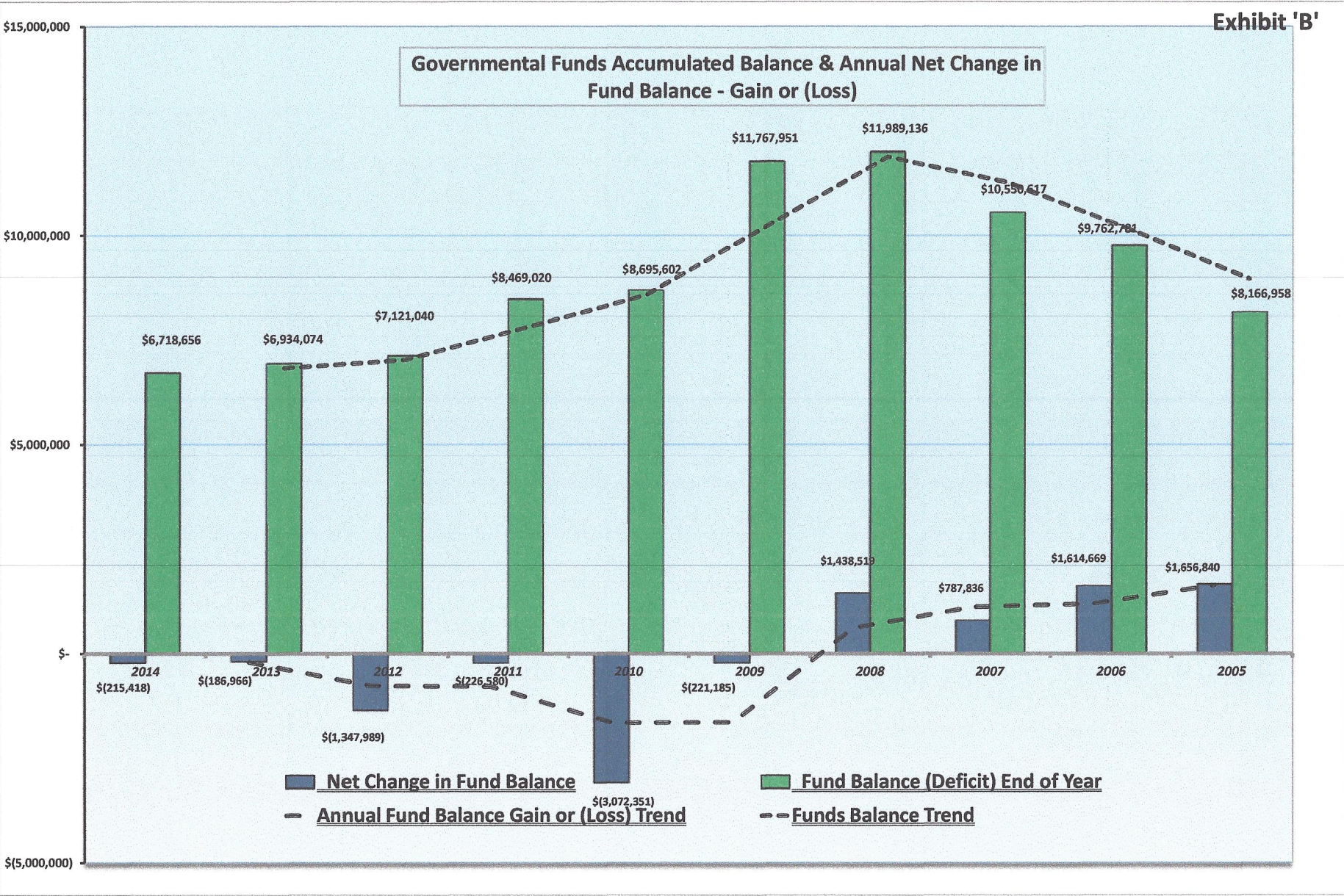
If anyone reviewing this report has any questions, issue(s), or concerns, please contact Citizen Auditors of Ohio at the contact information contained hereon. The data contained in the analysis reports was reviewed and recommendations are from Mr. Loren Sengstock. The reports and any opinions contained herein are those of Citizen Auditors of Ohio only and no charges for or expenses were incurred in the production thereof.

Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Exhibit 'A'



Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report



Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Exhibit 'C'

GOVERNMENTAL FUNDS REVENUES - 10 YEAR AVERAGE

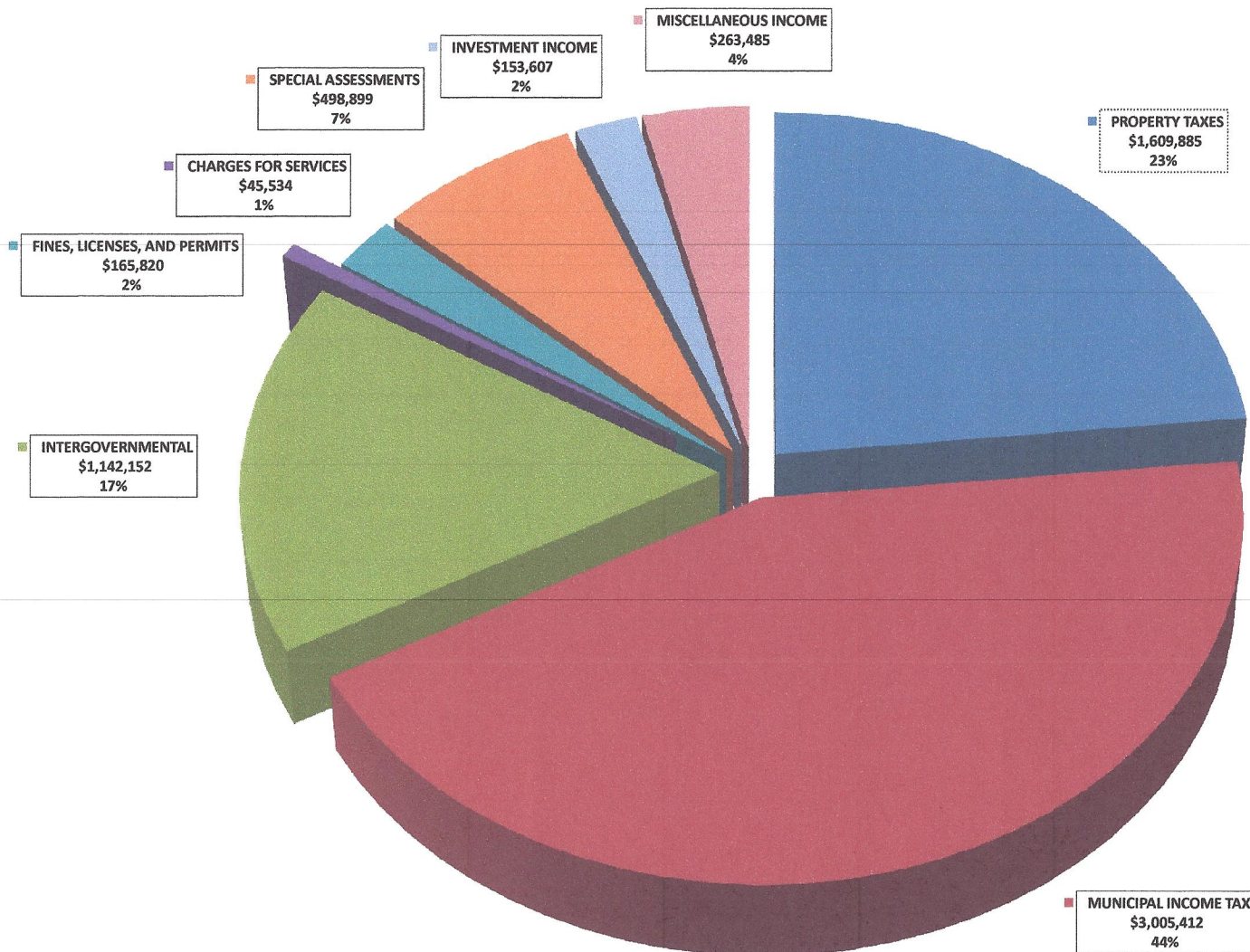
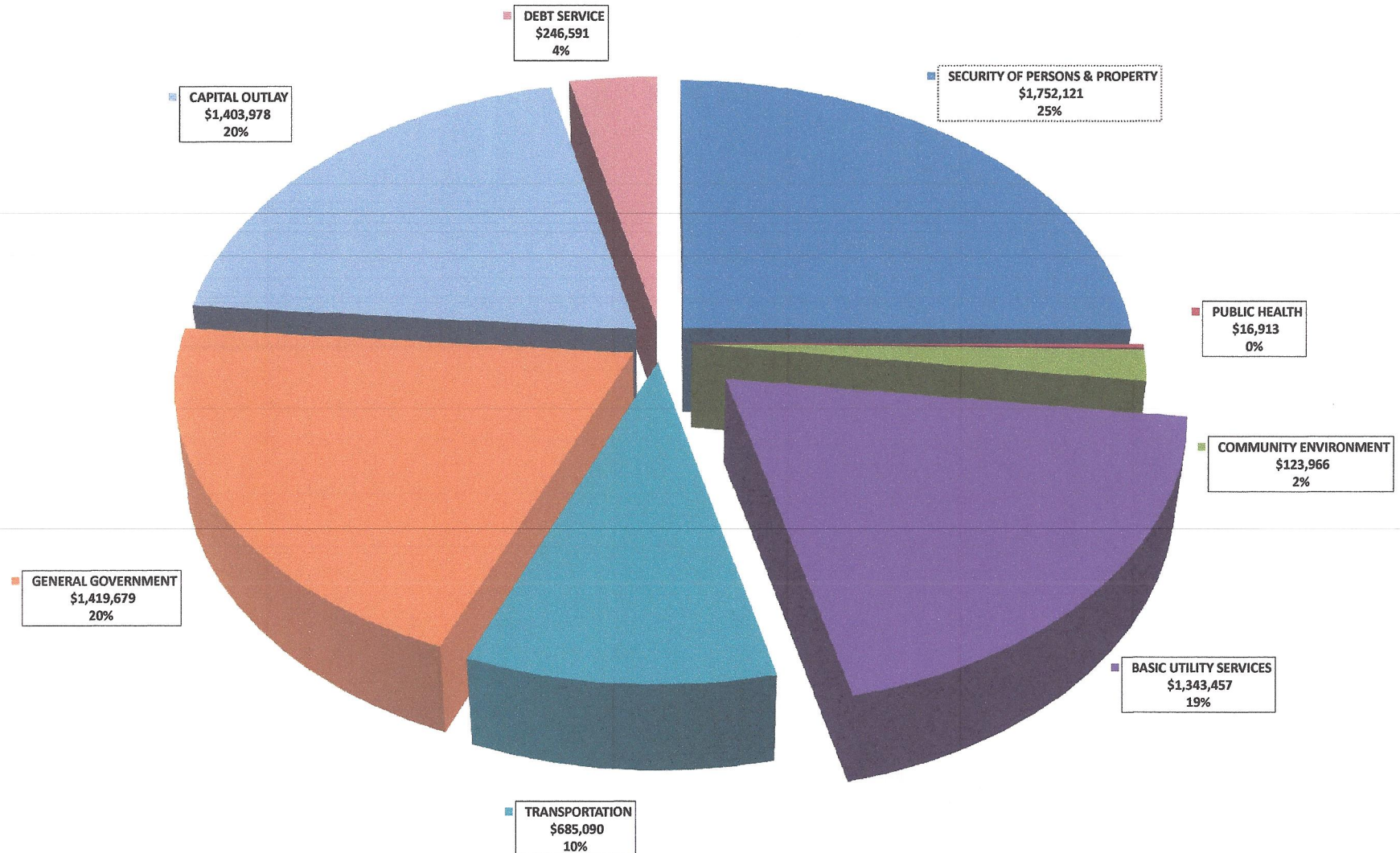


Exhibit 'D'

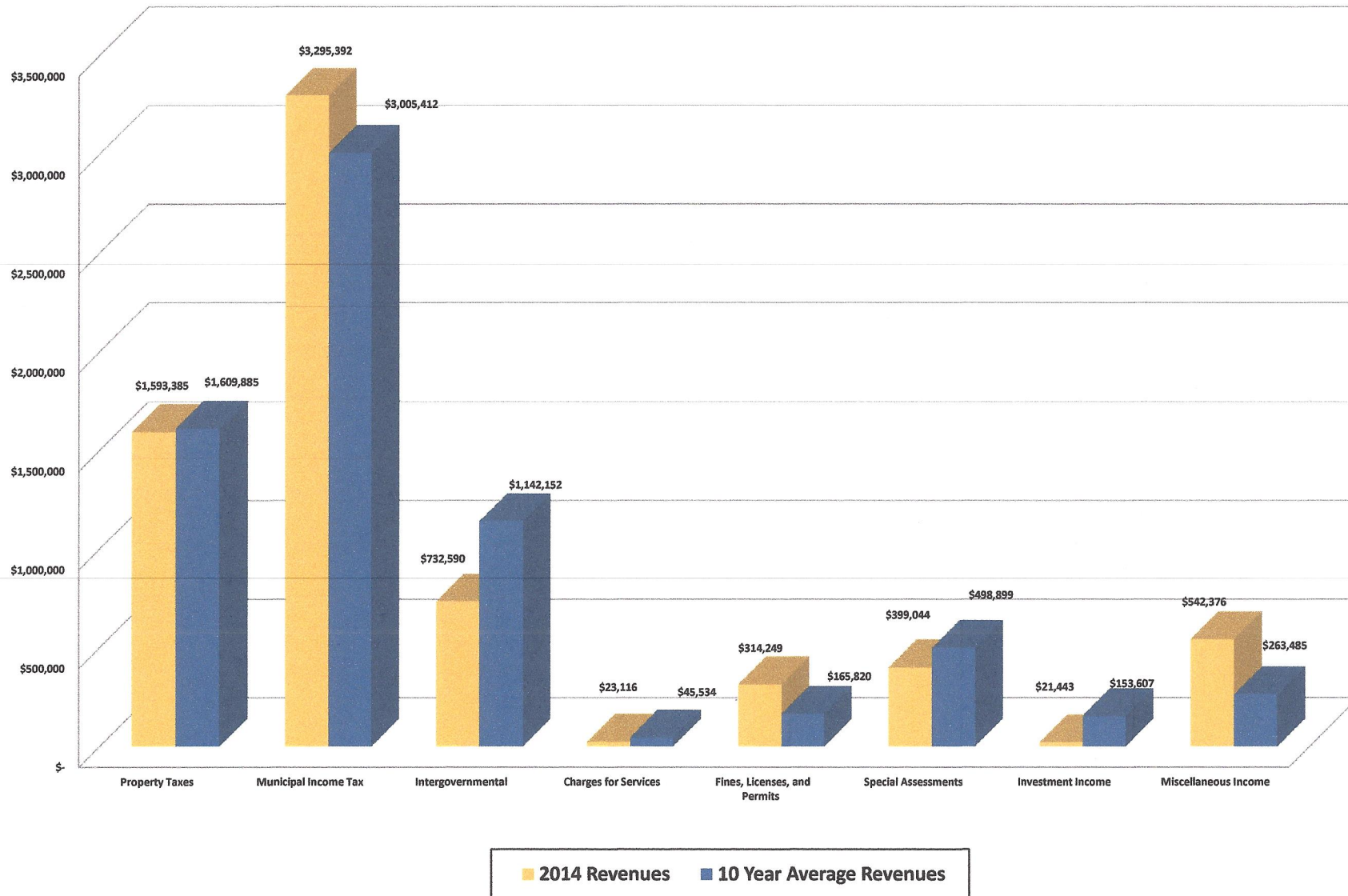
GOVERNMENTAL FUNDS EXPENDITURES - 10 YEAR AVERAGE



Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Comparative 2014 Vs. 10 Year Average Revenues by Source

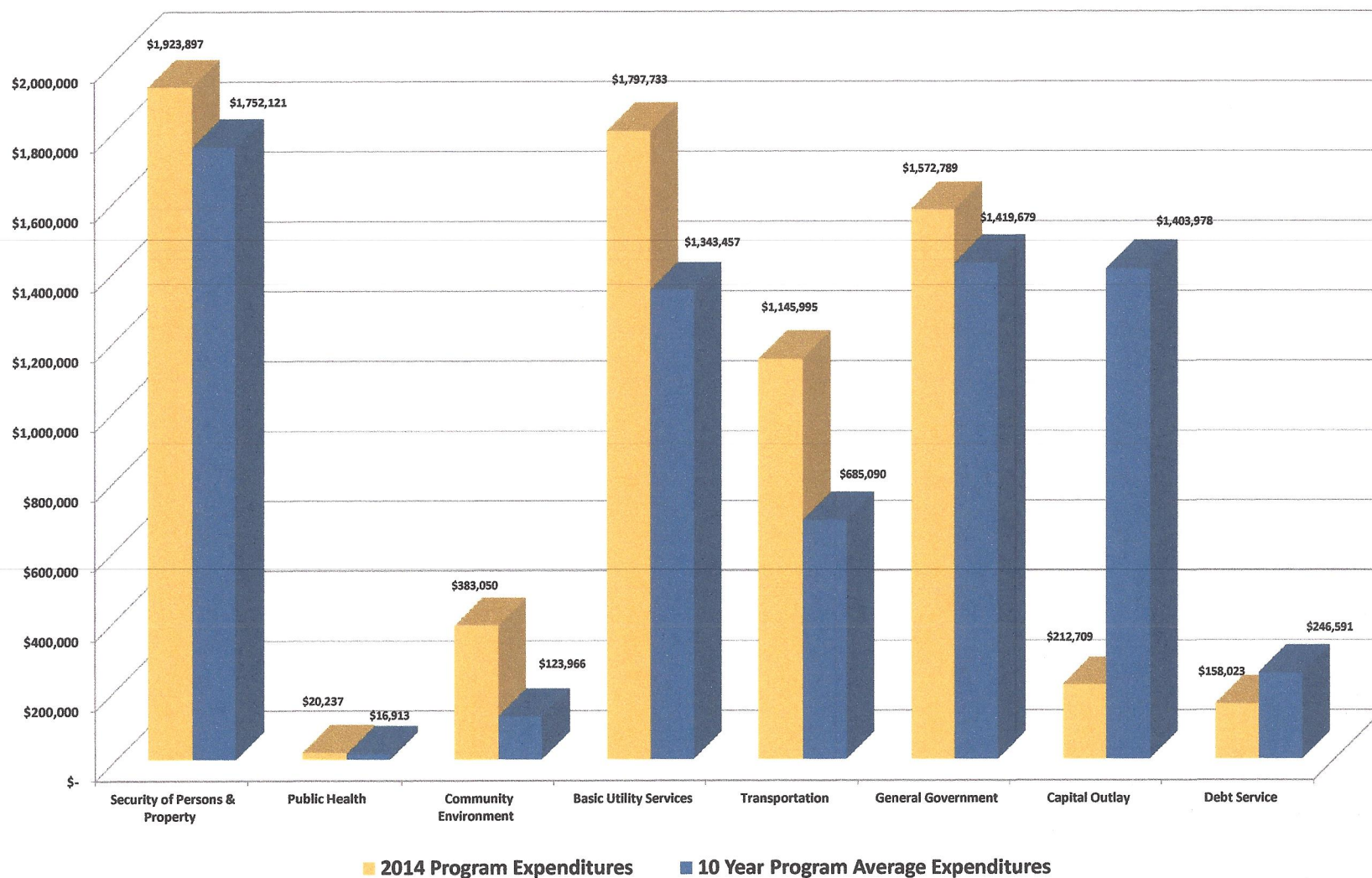
Exhibit 'E'



Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Exhibit 'F'

Comparative 2014 Vs. 10 Year Average Expenditures by Program



Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Historical Report of Governmental Funds

Exhibit 'G'

Description	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Annual 10 Year	Annual 10 Year
											Average (1)	Average % (1)
Revenues:												
Property Taxes	\$ 1,593,385	\$ 1,619,420	\$ 1,555,720	\$ 1,595,939	\$ 1,573,460	\$ 1,676,679	\$ 1,699,124	\$ 1,669,898	\$ 1,561,435	\$ 1,553,790	\$ 1,609,885	23.4%
Municipal Income Tax	\$ 3,295,392	\$ 3,263,604	\$ 2,892,842	\$ 3,068,697	\$ 2,513,869	\$ 2,983,535	\$ 3,020,054	\$ 2,822,355	\$ 2,823,774	\$ 3,369,996	\$ 3,005,412	43.7%
Intergovernmental	\$ 732,590	\$ 1,118,795	\$ 644,208	\$ 1,230,983	\$ 764,064	\$ 1,020,285	\$ 1,137,662	\$ 2,351,078	\$ 1,387,843	\$ 1,034,007	\$ 1,142,152	16.6%
Charges for Services	\$ 23,116	\$ 23,202	\$ 21,602	\$ 18,377	\$ 12,304	\$ 38,198	\$ 40,668	\$ 106,002	\$ 84,527	\$ 87,339	\$ 45,534	0.7%
Fines, Licenses, and Permits	\$ 314,249	\$ 203,720	\$ 202,106	\$ 180,375	\$ 218,545	\$ 144,867	\$ 159,121	\$ 89,012	\$ 68,362	\$ 77,840	\$ 165,820	2.4%
Special Assessments	\$ 399,044	\$ 428,053	\$ 482,672	\$ 478,454	\$ 486,636	\$ 547,486	\$ 566,777	\$ 532,727	\$ 547,082	\$ 520,058	\$ 498,899	7.2%
Investment Income	\$ 21,443	\$ 25,612	\$ 22,058	\$ 24,507	\$ 18,517	\$ 80,513	\$ 310,452	\$ 473,590	\$ 348,952	\$ 210,430	\$ 153,607	2.2%
Miscellaneous Income	\$ 542,376	\$ 195,062	\$ 170,567	\$ 668,429	\$ 153,878	\$ 143,664	\$ 152,586	\$ 255,848	\$ 144,477	\$ 207,963	\$ 263,485	3.8%
Total Revenues	\$ 6,921,595	\$ 6,877,468	\$ 5,991,775	\$ 7,265,761	\$ 5,741,273	\$ 6,635,227	\$ 7,086,444	\$ 8,300,510	\$ 6,966,452	\$ 7,061,423	\$ 6,884,793	100.0%
Expenditures:												
Security of Persons & Property	\$ 1,923,897	\$ 1,915,868	\$ 1,915,339	\$ 1,846,027	\$ 1,784,139	\$ 1,817,584	\$ 1,717,128	\$ 1,658,236	\$ 1,524,845	\$ 1,418,143	\$ 1,752,121	25.1%
Public Health	\$ 20,237	\$ 19,818	\$ 19,036	\$ 17,529	\$ 17,457	\$ 19,175	\$ 19,680	\$ 18,882	\$ 17,314	\$ -	\$ 16,913	0.2%
Community Environment	\$ 383,050	\$ 195,277	\$ 97,052	\$ 90,976	\$ 150,680	\$ 69,166	\$ 52,109	\$ 72,774	\$ 62,930	\$ 65,649	\$ 123,966	1.8%
Basic Utility Services	\$ 1,797,733	\$ 1,290,767	\$ 1,323,665	\$ 1,456,793	\$ 1,315,963	\$ 1,426,949	\$ 1,376,964	\$ 1,326,116	\$ 1,143,510	\$ 976,111	\$ 1,343,457	19.2%
Transportation	\$ 1,145,995	\$ 1,197,862	\$ 552,266	\$ 834,791	\$ 448,026	\$ 304,057	\$ 620,880	\$ 622,738	\$ 675,962	\$ 448,321	\$ 685,090	9.8%
General Government	\$ 1,572,789	\$ 1,438,228	\$ 1,704,897	\$ 1,708,127	\$ 1,440,889	\$ 1,412,225	\$ 1,471,821	\$ 1,162,111	\$ 1,077,331	\$ 1,208,375	\$ 1,419,679	20.3%
Capital Outlay	\$ 212,709	\$ 1,211,962	\$ 1,580,723	\$ 1,417,204	\$ 3,593,569	\$ 1,624,815	\$ 167,684	\$ 2,439,217	\$ 674,802	\$ 1,117,095	\$ 1,403,978	20.1%
Debt Service	\$ 158,023	\$ 157,154	\$ 159,342	\$ 895,434	\$ 133,275	\$ 182,441	\$ 221,659	\$ 212,600	\$ 175,089	\$ 170,889	\$ 246,591	3.5%
Total Expenditures	\$ 7,214,433	\$ 7,426,936	\$ 7,352,320	\$ 8,266,881	\$ 8,883,998	\$ 6,856,412	\$ 5,647,925	\$ 7,512,674	\$ 5,351,783	\$ 5,404,583	\$ 6,991,795	100.0%
Operating Income (Loss)	\$ (292,838)	\$ (549,468)	\$ (1,360,545)	\$ (1,001,120)	\$ (3,142,725)	\$ (221,185)	\$ 1,438,519	\$ 787,836	\$ 1,614,669	\$ 1,656,840	\$ (107,002)	
Other Financing Sources (Transfers)	\$ 77,420	\$ 362,502	\$ 12,556	\$ 774,540	\$ 70,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,739	
Net Change in Fund Balance	\$ (215,418)	\$ (186,966)	\$ (1,347,989)	\$ (226,580)	\$ (3,072,351)	\$ (221,185)	\$ 1,438,519	\$ 787,836	\$ 1,614,669	\$ 1,656,840	\$ 22,738	
Fund Balance (Deficit) Beginning of Year	\$ 6,934,074	\$ 7,121,040	\$ 8,469,029	\$ 8,695,600	\$ 11,767,953	\$ 11,989,136	\$ 10,550,617	\$ 9,762,781	\$ 8,148,112	\$ 6,510,118	\$ 8,994,846	
Fund Balance (Deficit) End of Year	\$ 6,718,656	\$ 6,934,074	\$ 7,121,040	\$ 8,469,020	\$ 8,695,602	\$ 11,767,951	\$ 11,989,136	\$ 10,550,617	\$ 9,762,781	\$ 8,166,958	\$ 9,017,584	
Ending Fund Balance as % of Expenditures (1)	93.1%	93.4%	96.9%	102.4%	97.9%	171.6%	212.3%	140.4%	182.4%	151.1%	129.0%	
Ending Fund Balance at GFOA 25% Average(1)	\$ 1,803,608	\$ 1,856,734	\$ 1,838,080	\$ 2,066,720	\$ 2,221,000	\$ 1,714,103	\$ 1,411,981	\$ 1,878,169	\$ 1,337,946	\$ 1,351,146	\$ 1,747,949	
Ending Fund Balance as % = GFOA 25% Average (1)	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Excess Ending Fund Balance Vs. GFOA 25% Average (1)	\$ 4,915,048	\$ 5,077,340	\$ 5,282,960	\$ 6,402,300	\$ 6,474,603	\$ 10,053,848	\$ 10,577,155	\$ 8,672,449	\$ 8,424,835	\$ 6,815,812	\$ 7,269,635	
Excess % Fund Balance More (Less) than GFOA 25% Average (1)	73.2%	73.2%	74.2%	75.6%	74.5%	85.4%	88.2%	82.2%	86.3%	83.5%	80.6%	
Cash & Cash Equivalents - End of Year	\$ 6,718,656	\$ 6,934,074	\$ 7,121,040	\$ 8,469,029	\$ 8,695,600	\$ 11,767,951	\$ 11,989,136	\$ 10,550,617	\$ 9,762,781	\$ 8,148,112	\$ 9,017,584	
Cash & Cash Equivalents as % of Expenditures (1)	93.1%	93.4%	96.9%	102.4%	97.9%	171.6%	212.3%	140.4%	182.4%	150.8%	129.0%	

Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields (2) Property Taxes and Municipal Income Taxes are estimated from combined total of \$3,811,731 for trending/averaging purposes

Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Historical Report of Governmental Funds - Variance Report 2014 Vs. 10 Year Average

Exhibit 'H'

Description	2014	2014 % of Total	Annual 10 Year Average	Annual 10 Year % of Total	Variance 2014 to 10 Yr Average	Variance 2014 to 10 Yr %
Revenues:	\$ -		(1)	(1)	(1)	(1)
Property Taxes	\$ 1,593,385	23.0%	\$ 1,609,885	23.4%	\$ (16,500)	-1.0%
Municipal Income Tax	\$ 3,295,392	47.6%	\$ 3,005,412	43.7%	\$ 289,980	9.6%
Intergovernmental	\$ 732,590	10.6%	\$ 1,142,152	16.6%	\$ (409,562)	-35.9%
Charges for Services	\$ 23,116	0.3%	\$ 45,534	0.7%	\$ (22,418)	-49.2%
Fines, Licenses, and Permits	\$ 314,249	4.5%	\$ 165,820	2.4%	\$ 148,429	89.5%
Special Assessments	\$ 399,044	5.8%	\$ 498,899	7.2%	\$ (99,855)	-20.0%
Investment Income	\$ 21,443	0.3%	\$ 153,607	2.2%	\$ (132,164)	-86.0%
Miscellaneous Income	\$ 542,376	7.8%	\$ 263,485	3.8%	\$ 278,891	105.8%
Total Revenues	\$ 6,921,595	100.0%	\$ 6,884,793	100.0%	\$ 36,802	0.5%
Expenditures:	\$ -		\$ -			
Security of Persons & Property	\$ 1,923,897	26.7%	\$ 1,752,121	25.1%	\$ 171,776	9.8%
Public Health	\$ 20,237	0.3%	\$ 16,913	0.2%	\$ 3,324	19.7%
Community Environment	\$ 383,050	5.3%	\$ 123,966	1.8%	\$ 259,084	209.0%
Basic Utility Services	\$ 1,797,733	24.9%	\$ 1,343,457	19.2%	\$ 454,276	33.8%
Transportation	\$ 1,145,995	15.9%	\$ 685,090	9.8%	\$ 460,905	67.3%
General Government	\$ 1,572,789	21.8%	\$ 1,419,679	20.3%	\$ 153,110	10.8%
Capital Outlay	\$ 212,709	2.9%	\$ 1,403,978	20.1%	\$ (1,191,269)	-84.8%
Debt Service	\$ 158,023	2.2%	\$ 246,591	3.5%	\$ (88,568)	-35.9%
Total Expenditures	\$ 7,214,433	100.0%	\$ 6,991,795	100.0%	\$ 222,639	3.2%
Operating Income (Loss)	\$ (292,838)		\$ (107,002)		\$ (185,836)	-173.7%
Other Financing Sources (Transfers)	\$ 77,420		\$ 129,739		\$ (52,319)	-40.3%
Net Change in Fund Balance	\$ (215,418)		\$ 22,738		\$ (238,156)	-1047.4%
Fund Balance (Deficit) Beginning of Year	\$ 6,934,074		\$ 8,994,846		\$ (2,060,772)	-22.9%
Fund Balance (Deficit) End of Year	\$ 6,718,656		\$ 9,017,584		\$ (2,298,928)	-25.5%
Ending Fund Balance as % of Expenditures (1)	93.1%		129.0%		-35.8%	

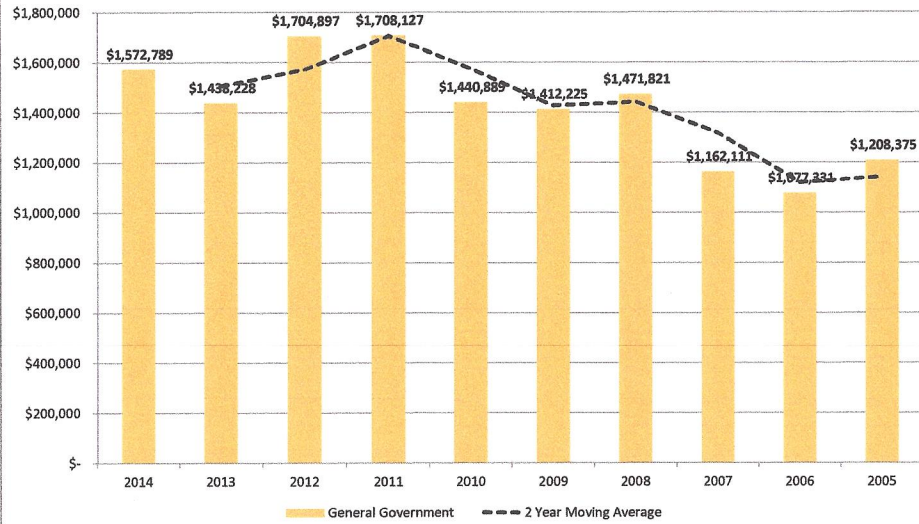
Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields

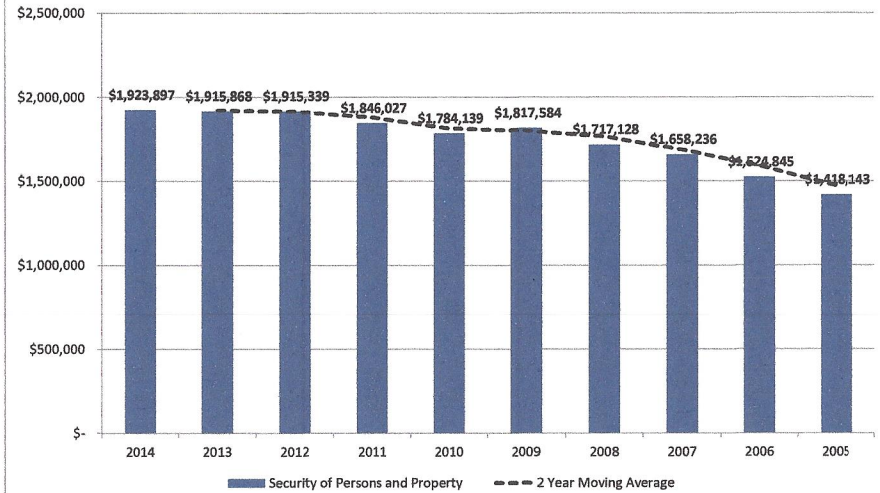
Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Exhibit I

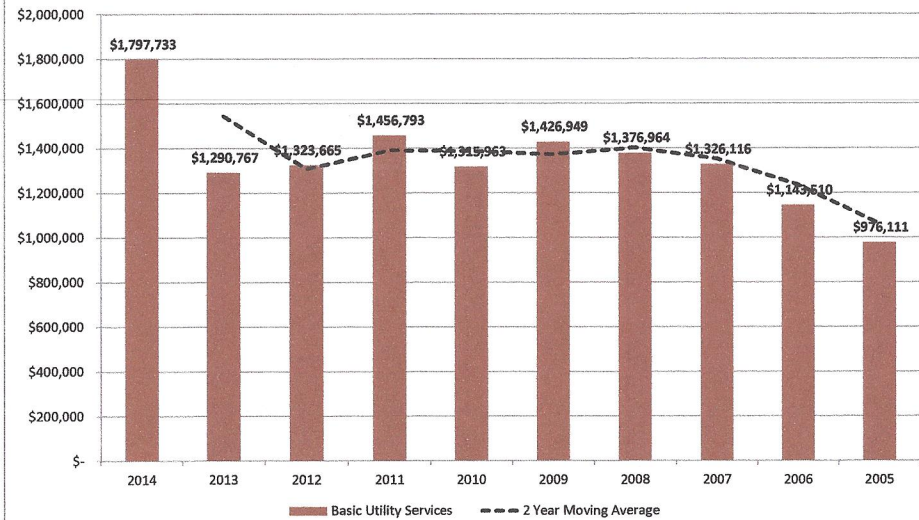
General Government Expenditures Last Ten Years



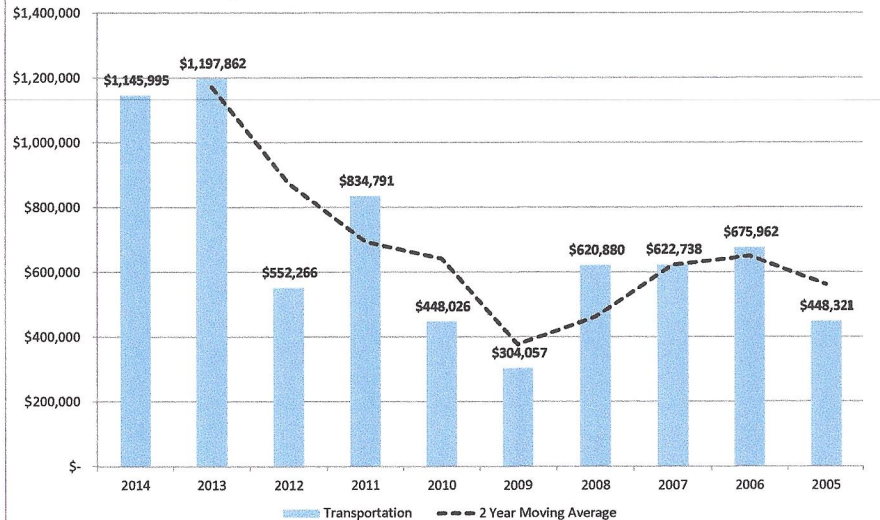
Security of Persons & Property Expenditures Last Ten Years



Basic Utility Services Expenditures Last Ten Years

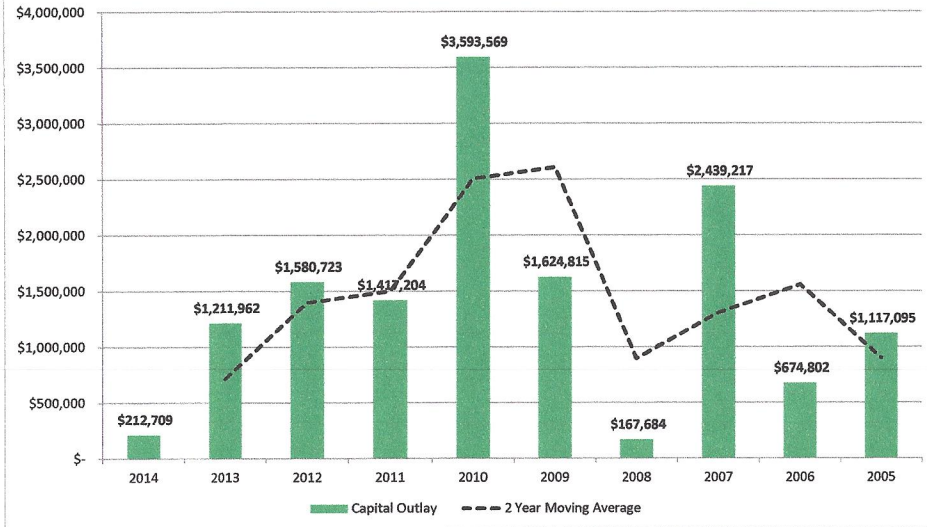


Transportation Expenditures Last Ten Years



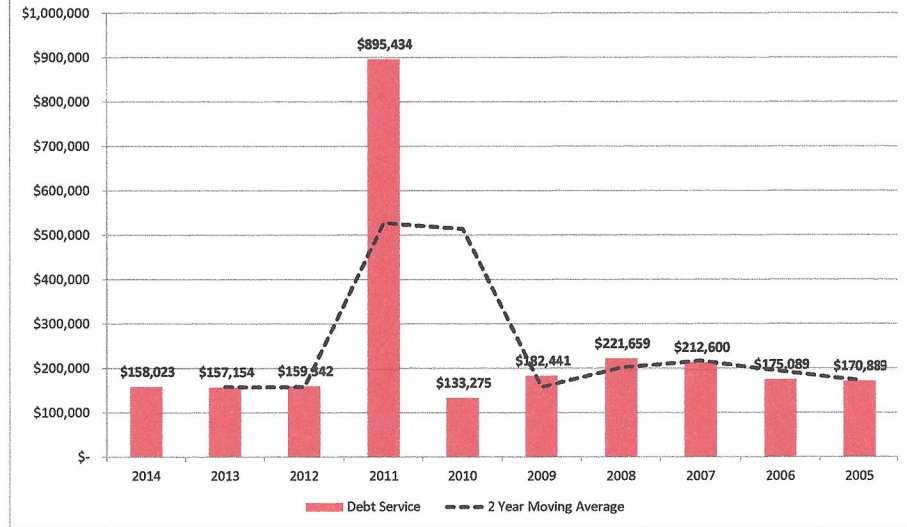
Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Capital Outlay Expenditures Last Ten Years



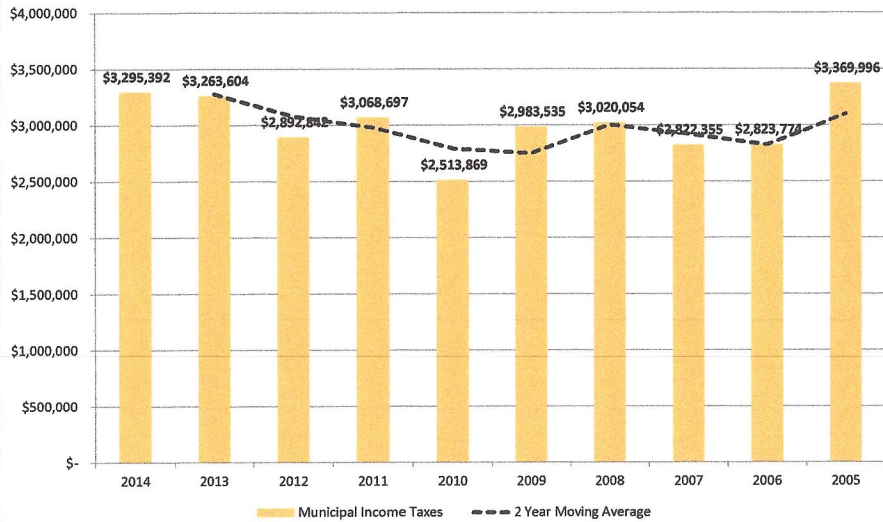
Debt Service Expenditures Last Ten Years

Exhibit J



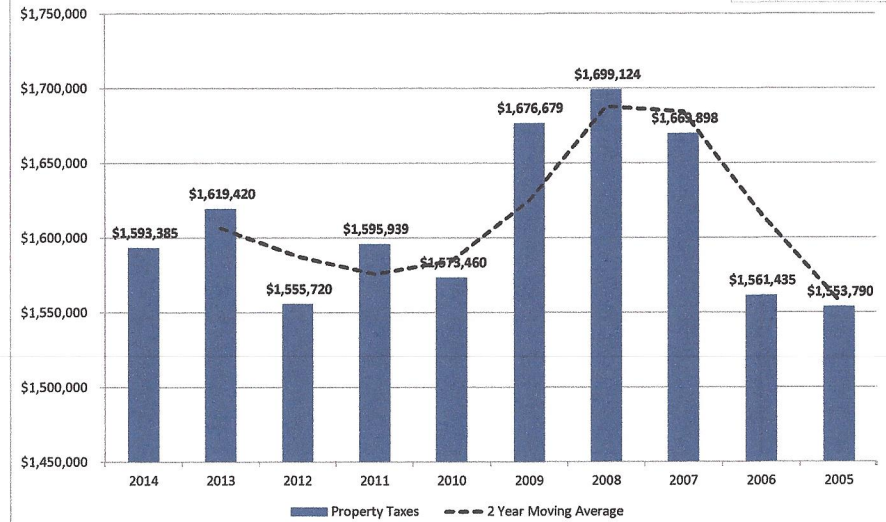
Village of Moreland Hills - Cuyahoga County, Ohio 2005-2014 Analysis Report

Municipal Income Tax Revenues Last Ten Years

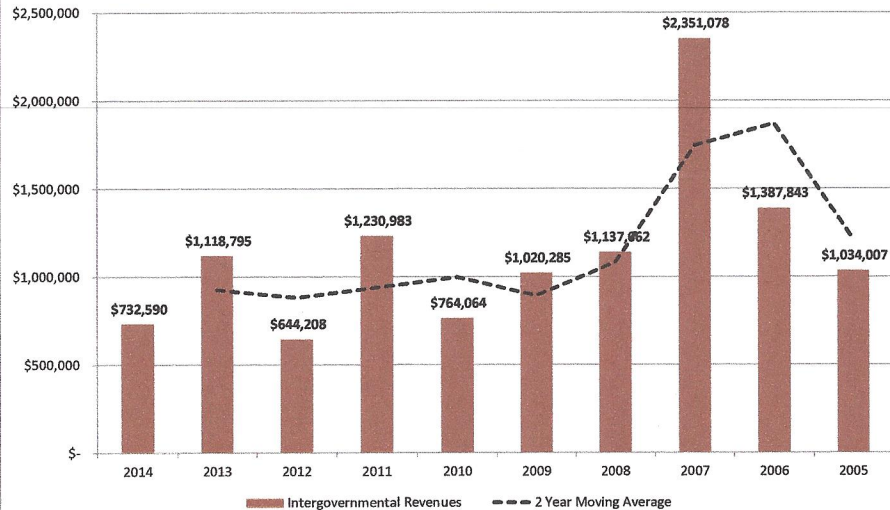


Property Tax Revenues Last Ten Years

Exhibit K



Intergovernmental Revenues Last Ten Years



Miscellaneous Revenues Last Ten Years

