



**Auditor of State  
Betty Montgomery**



**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the 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, 2004, 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 modified 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 modified 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, 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund and the Streets Construction Maintenance and Repair Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2005, 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 are 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 1, 2005

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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This discussion and analysis of the Village of Moreland Hills, Cuyahoga County, Ohio, (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified 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 2004 are as follows:

Net assets of governmental activities increased by \$340,435, or 5.5 percent, in 2004. This was a combination of an increase in fund balances of the Police and Fire Levy Fund, Street Construction Fund, Waste Water Treatment Plant Expansion Fund, and Sewage Treatment Plant Fund offset by a reduction in the Property Improvement Fund

The Village's general receipts are primarily income and property taxes. These receipts represent respectively 44.8 percent and 22.2 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2004 changed very little compared to 2003 due to general economic slow down.

During the year the Village's bond rating was upgraded from Aa3 to Aa2 by Moody's Investors Service 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 modified 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 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified 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, 2004  
Unaudited

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As a result of using the modified 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 modified 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 2004, within the limitations of modified 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 modified 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, Streets Construction Maintenance and Repair, Property Improvement and Waste Water Treatment Plant Expansion Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. 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, 2004  
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 2004 on a modified cash basis.

Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)

<b>Net Assets</b>	<b>Governmental Activities <u>2004</u></b>
<b>Assets</b>	
Cash and Cash Equivalents	\$6,510,118
Total Assets	<u>\$6,510,118</u>
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	2,822,774
Debt Service	298,100
Other Purposes	1,557,040
Unrestricted	<u>1,832,204</u>
Total Net Assets	<u>\$6,510,118</u>

As mentioned previously, net assets of governmental activities increased by \$340,435 or 5.5 percent during 2004. The increase was due primarily to an increase in fund balances of various funds including the Police and Fire Levy fund, Street Construction and Maintenance Fund, Sewage Treatment Fund, Waste Water Treatment Expansion Fund.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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

	<u>Governmental Activities 2004</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$226,825
Operating Grants and Contributions	378,249
Capital Grants and Contributions	493,901
Total Program Receipts	<u>1,098,975</u>
General Receipts:	
Property Taxes	1,362,647
Income Taxes	2,752,635
Grants and Entitlements Not Restricted to Specific Programs	732,829
Interest	102,187
Miscellaneous	95,142
Total General Receipts	<u>5,045,440</u>
Total Receipts	<u>6,144,415</u>
Disbursements:	
General Government	1,034,772
Security of Persons and Property:	1,350,977
Public Health Services	18,954
Community Environment	573,211
Basic Utility Services	937,614
Transportation	1,723,335
Principal Retirement	85,000
Interest and Fiscal Charges	80,117
Total Disbursements	<u>5,803,980</u>
 Increase (Decrease) in Net Assets	 340,435
 Net Assets, January 1, 2004	 <u>6,169,683</u>
Net Assets, December 31, 2004	<u><u>\$6,510,118</u></u>

Program receipts represent only 17.8 percent of total receipts and are primarily comprised of charges and special assessments against properties for maintenance and expansion of infrastructure and revenues from restricted intergovernmental receipts such as motor vehicle license and gas tax money and grants.

General receipts represent 82.1 percent of the Village's total receipts, and of this amount, approximately 81.6 percent are local municipal income taxes and property taxes. State and federal grants and entitlements make up about 14.5 percent of the Village's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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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, and the 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**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The largest program disbursements for governmental activities are for transportation and security of persons and property, which account for 29.7 and 23.3 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 17.8 percent. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipts (Disbursements) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. 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 2004	Net Cost of Services 2004
General Government	\$1,034,772	(\$957,283)
Security of Persons and Property	1,350,977	(1,315,120)
Public Health Services	18,954	64,136
Community Environment	573,211	(543,778)
Basic Utility Services	937,614	(426,996)
Transportation	1,723,335	(1,455,256)
Principal Retirement	85,000	7,884
Interest and Fiscal Charges	80,117	(78,592)
<b>Total Expenses</b>	<b>\$5,803,980</b>	<b>(\$4,705,005)</b>

The dependence upon property and income tax receipts is apparent as over 81 percent of governmental activities are supported through these general receipts.

**The Government's Funds**

Total governmental funds had receipts of \$6,144,416 and disbursements of \$5,803,980. The largest positive change within governmental funds occurred in the Waste Water Treatment Plant Expansion Fund which increased by \$271,631 primarily due to additional funds received from annual assessments. These funds are being set aside for future capital improvements to the various treatment plants within the Village. The largest negative change in fund balance was in the Property Improvement Fund which was reduced by \$332,303 primarily due to the purchase of a private property by the Village.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**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 2004, the Village amended its General Fund budget several times to reflect changing circumstances. There was no change between final and original budgeted receipts. Actual receipts were \$711,416 more than the final budgeted receipts. Budgeted disbursements increased \$139,999 from the original budget to the final budget. Actual disbursements were \$885,825 less than the final budgeted disbursements.

**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.

**Debt Administration**

At December 31, 2004, the Village's outstanding debt was \$1,385,000 comprising of Various Purpose and Street improvement bonds. For further information regarding the Village's debt, refer to Note 7 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 SOM Center Road, Moreland Hills, Ohio 44022.

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2004*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,510,118</u>
<i>Total Assets</i>	<u><u>\$6,510,118</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,822,774
Debt Service	298,100
Other Purposes	1,557,040
Unrestricted	<u>1,832,204</u>
<i>Total Net Assets</i>	<u><u>\$6,510,118</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2004*

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Special Assessments	Receipts and Changes in Net Assets
<b>Governmental Activities</b>				
General Government	\$1,034,772	\$77,489	\$0	(\$957,283)
Security of Persons and Property	1,350,977	27,512	8,345	(1,315,120)
Public Health Services	18,954	46,212	36,878	64,136
Community Environment	573,211	0	0	(543,778)
Basic Utility Services	937,614	51,813	240,142	(426,996)
Transportation	1,723,335	23,799	0	(1,455,256)
Redemption of Principal	85,000	0	92,884	7,884
Interest and Fiscal Charges	80,117	0	0	(78,592)
<i>Total Governmental Activities</i>	<u>\$5,803,980</u>	<u>\$226,825</u>	<u>\$378,249</u>	<u>(4,705,005)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		1,239,505
		Debt Service		123,142
		Municipal Income Taxes		2,752,635
		Grants and Entitlements		
		Not Restricted to Specific Programs		732,829
		Interest		102,187
		Miscellaneous		95,142
		<i>Total General Receipts</i>		<u>5,045,440</u>
		Change in Net Assets		340,435
		<i>Net Assets Beginning of Year</i>		<u>6,169,683</u>
		<i>Net Assets End of Year</i>		<u>\$6,510,118</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Street Construction, Maintenance, and Repair	Property Improvement	Waste Water Treatment Plant Expansion	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,832,204	\$237,792	\$1,256,070	\$1,519,648	\$1,664,404	\$6,510,118
<i>Total Assets</i>	<u>\$1,832,204</u>	<u>\$237,792</u>	<u>\$1,256,070</u>	<u>\$1,519,648</u>	<u>\$1,664,404</u>	<u>\$6,510,118</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$159,586	\$140,761	\$0	\$0	\$172,545	\$472,892
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	1,672,618	0	0	0		1,672,618
Special Revenue Funds	0	97,031	0	0	1,173,359	1,270,390
Debt Service Fund	0	0	0	0	298,100	298,100
Capital Projects Funds	0	0	1,256,070	1,519,648	20,400	2,796,118
<i>Total Fund Balances</i>	<u>\$1,832,204</u>	<u>\$237,792</u>	<u>\$1,256,070</u>	<u>\$1,519,648</u>	<u>\$1,664,404</u>	<u>\$6,510,118</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2004*

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<b>Total Governmental Fund Balances</b>	<u>\$6,510,118</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$6,510,118</u></u>

See accompanying notes to the basic financial statements



**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Street Construction, Maintenance, and Repair	Property Improvement	Waste Water Treatment Plant Expansion	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$2,752,635	\$0	\$0	\$0	\$0	\$2,752,635
Property and Other Local Taxes	767,457	0	0	0	595,190	1,362,647
Special Assessments	0	0	0	218,663	333,026	551,689
Charges for Services	77,489	0	0	0	65,026	142,515
Fines, Licenses and Permits	27,337	23,799	0	33,000	175	84,311
Intergovernmental	207,389	102,585	161,387	0	580,403	1,051,764
Interest	78,992	0	0	21,160	3,560	103,712
Miscellaneous	95,142	0	0	0	0	95,142
<i>Total Receipts</i>	<u>4,006,441</u>	<u>126,384</u>	<u>161,387</u>	<u>272,823</u>	<u>1,577,380</u>	<u>6,144,415</u>
<b>Disbursements</b>						
Current:						
General Government	1,034,772	0	0	0	0	1,034,772
Security of Persons and Property	909,135	0	0	0	441,842	1,350,977
Public Health Services	13,976	0	0	0	4,978	18,954
Community Environment	79,521	0	0	0	0	79,521
Basic Utility Services	722,105	0	0	0	176,870	898,975
Transportation	117,573	609,906	0	0	850	728,329
Capital Outlay	0	0	493,690	1,192	1,032,453	1,527,335
Debt Service:						
Principal Retirement	0	0	0	0	85,000	85,000
Interest and Fiscal Charges	0	0	0	0	80,117	80,117
<i>Total Disbursements</i>	<u>2,877,082</u>	<u>609,906</u>	<u>493,690</u>	<u>1,192</u>	<u>1,822,110</u>	<u>5,803,980</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,129,359</u>	<u>(483,522)</u>	<u>(332,303)</u>	<u>271,631</u>	<u>(244,730)</u>	<u>340,435</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	625,000	0	0	105,000	730,000
Transfers Out	(665,000)	0	0	0	(65,000)	(730,000)
Advances In	231,085	0	0	0	700,979	932,064
Advances Out	(700,979)	0	0	0	(231,085)	(932,064)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,134,894)</u>	<u>625,000</u>	<u>0</u>	<u>0</u>	<u>509,894</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(5,535)	141,478	(332,303)	271,631	265,164	340,435
<i>Fund Balances Beginning of Year</i>	<u>1,837,739</u>	<u>96,314</u>	<u>1,588,373</u>	<u>1,248,017</u>	<u>1,399,240</u>	<u>6,169,683</u>
<i>Fund Balances End of Year</i>	<u>\$1,832,204</u>	<u>\$237,792</u>	<u>\$1,256,070</u>	<u>\$1,519,648</u>	<u>\$1,664,404</u>	<u>\$6,510,118</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>\$340,435</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$340,435</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$2,300,000	\$2,300,000	\$2,752,635	\$452,635
Property and Other Local Taxes	775,657	775,657	767,457	(8,200)
Charges for Services	71,770	71,770	77,489	5,719
Fines, Licenses and Permits	25,319	25,319	27,337	2,018
Intergovernmental	192,082	192,082	207,389	15,307
Interest	73,162	73,162	78,992	5,830
Miscellaneous	88,121	88,121	95,143	7,022
<i>Total receipts</i>	<u>3,526,111</u>	<u>3,526,111</u>	<u>4,006,442</u>	<u>480,331</u>
<b>Disbursements</b>				
Current:				
General Government	1,170,450	1,222,716	1,068,403	154,313
Security of Persons and Property	1,018,344	1,018,344	918,354	99,990
Public Health Services	15,424	16,130	13,976	2,154
Community Environment	90,352	94,368	80,641	13,727
Basic Utility Services	796,929	833,402	800,475	32,927
Transportation	161,576	167,514	154,821	12,693
<i>Total Disbursements</i>	<u>3,253,075</u>	<u>3,352,474</u>	<u>3,036,670</u>	<u>315,804</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>273,036</u>	<u>173,637</u>	<u>969,772</u>	<u>796,135</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(807,000)	(847,000)	(665,000)	182,000
Advances In	0	0	231,085	231,085
Advances Out	(1,089,000)	(1,089,000)	(700,979)	388,021
<i>Total Other Financing Sources (Uses)</i>	<u>(1,896,000)</u>	<u>(1,936,000)</u>	<u>(1,134,894)</u>	<u>801,106</u>
<i>Net Change in Fund Balance</i>	(1,622,964)	(1,762,363)	(165,122)	1,597,241
<i>Fund Balance Beginning of Year</i>	1,764,357	1,764,357	1,764,357	0
Prior Year Encumbrances Appropriated	73,382	73,382	73,382	0
<i>Fund Balance End of Year</i>	<u>\$214,775</u>	<u>\$75,376</u>	<u>\$1,672,617</u>	<u>\$1,597,241</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*  
*Street Construction Maintenance and Repair Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Fines, Licenses and Permits	\$20,000	\$20,000	\$23,799	\$3,799
Intergovernmental	75,000	75,000	102,585	27,585
<i>Total receipts</i>	<u>95,000</u>	<u>95,000</u>	<u>126,384</u>	<u>31,384</u>
<b>Disbursements</b>				
Current:				
Transportation	849,733	844,733	750,667	94,066
<i>Total Disbursements</i>	<u>849,733</u>	<u>844,733</u>	<u>750,667</u>	<u>94,066</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(754,733)</u>	<u>(749,733)</u>	<u>(624,283)</u>	<u>125,450</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	700,000	700,000	625,000	(75,000)
<i>Total Other Financing Sources (Uses)</i>	<u>700,000</u>	<u>700,000</u>	<u>625,000</u>	<u>(75,000)</u>
<i>Net Change in Fund Balance</i>	(54,733)	(49,733)	717	50,450
<i>Fund Balance Beginning of Year</i>	38,806	38,806	38,806	0
Prior Year Encumbrances Appropriated	57,508	57,508	57,508	0
<i>Fund Balance End of Year</i>	<u>\$41,581</u>	<u>\$46,581</u>	<u>\$97,031</u>	<u>\$50,450</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MORELAND HILLS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$85,872</u>
<i>Total Assets</i>	<u><u>\$85,872</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$85,872</u></u>

See accompanying notes to the basic financial statements

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**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 1. DESCRIPTION OF THE ENTITY**

The Village of Moreland Hills, Cuyahoga County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general 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.

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

**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 2004. Financial information can be obtained by contacting NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

These financial statements follow a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State prescribes.

**B. Fund Accounting**

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Village's funds are classified as either governmental or fiduciary.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

***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. The following are the Village's major governmental funds:

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

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

**Property Improvement Fund** - This fund is used to account for grant and estate tax receipts that are restricted for the acquisition or construction of Village capital projects.

**Waste Water Treatment Plant Expansion Fund** – This fund receives special assessments and permit fees for the repair and construction of the sanitary sewer system.

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 Presentation**

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



VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

**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 Village, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Village at December 31, 2004. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Village.

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

**D. Cash and Investments**

Investments are included in fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The Village invested in a Sweep Account and U.S. Government Securities, which are valued at cost. The Investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer.

**E. Inventory**

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**F. Property, Plant, and Equipment**

Acquisitions of property, plant, and equipment are recorded as disbursements 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. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Net Assets**

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

**I. 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 and function level of control in the General Fund and the fund level for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

**NOTE 3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004
Demand deposits	\$ 179,757
Total deposits	\$ 179,757
STAR Ohio	\$ 3,050,233
Repurchase agreement - Sweep Account	366,000
U.S. Government Securities	3,000,000
Total investments	\$ 6,416,233
Total deposits and investments	\$ 6,595,990

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Although the Village followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

**NOTE 4. COMPLIANCE**

**Expenditures and Encumbrances exceeded Appropriations**

As of July 31, 2004 the following fund had expenditures plus encumbrances in excess of appropriations in violation of Section 5705.41 (B) & (D), revised code:

<u>Fund</u>	<u>Appropriations July 31, 2004</u>	<u>Expenditures plus Encumbrances July 31, 2004</u>	<u>Variance</u>
<b>Capital Projects Fund:</b>			
Chagrin River Safety	\$234,000	\$436,404	\$202,404

This was corrected by December 31, 2004.

**NOTE 5. PROPERTY TAX**

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

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

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

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

**NOTE 6. LOCAL INCOME TAX**

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 7. DEBT**

Debt outstanding as of December 31, 2004:

	<u>Principal</u>	<u>Interest Rate</u>
1989 Street Improvement Bonds	\$230,000	6-7.5%
1998 Various Purpose Imp. Bonds	1,155,000	4.55 and 5.125%
Total	<u>\$1,385,000</u>	

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

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

	<u>Street Improvement</u>	<u>Various Purpose Improvement</u>	<u>Total</u>
Year ending December 31:			
2005	\$ 57,125	\$ 136,714	\$ 193,839
2006	59,125	138,529	197,654
2007	55,750	140,116	195,866
2008	57,375	181,476	238,851
2009	53,625	140,789	194,414
2010-2014	-	679,198	679,198
2015-2019	-	452,468	452,468
Total	<u>\$ 283,000</u>	<u>\$ 1,869,290</u>	<u>\$ 2,152,290</u>

**NOTE 8. RETIREMENT SYSTEMS**

**Ohio Police and Fire Pension and Ohio Public Employees Retirement System**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles, Emergency Medical Services, Law Enforcement Liability; and
- Commercial Catastrophe Liability, and errors and omissions.

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

**NOTE 10. ENGINEERING SERVICES**

The Village contracted with Chagrin Valley Engineering, Ltd. to provide services in connection with the construction of public improvements. The Village Engineer is an employee of Chagrin Valley Engineering, Ltd. During 2004, the Village paid \$198,218 to the Chagrin Valley Engineering, Ltd.

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**Auditor of State  
Betty Montgomery**

**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 SOM 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, 2004, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 1, 2005. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 1, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated July 1, 2004, we reported another matter related to noncompliance we deemed immaterial.

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)

We intend this report solely for the information and use of the management and the Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 1, 2005



**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

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

<b>Finding Number</b>	<b>2004-001</b>
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**Expenditures Exceeding Appropriations**

Ohio Revised Code 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

During our testing, we noted the following fund had expenditures exceeding appropriations at July 31, 2004:

<u>Fund</u>	<u>Expenditures Plus Encumbrances</u>	<u>Appropriations</u>	<u>Variance</u>
<b>Capital Projects Fund:</b>			
Chagrin River Safety	\$436,404	\$234,000	\$202,404

This was corrected by December 31, 2004.

We recommend that the Village expend only those monies which have been properly appropriated.

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Ohio Rev. Code Section 5705.39 Appropriations Exceeding Estimated Resources	Corrected	All appropriations were within the estimated resources.
2003-002	Ohio Revised Code Section 5705.10 Negative fund balances	Corrected	No negative fund balances noted.



**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**VILLAGE OF MORELAND HILLS  
CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 9, 2005**