



**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Chagrin Falls
Cuyahoga County
21 West Washington Street
Chagrin Falls, Ohio 44022

To the Village Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 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.

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

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

Betty Montgomery
Auditor of State

July 14, 2005

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$853,941	\$0	\$270,330	\$0	\$38,619	\$1,162,890
Municipal Income Taxes	2,030,374	357,741	0	0	0	2,388,115
Special Assessments	0	0	59,601	0	0	59,601
Intergovernmental Receipts	383,744	258,723	34,390	2,430,997	4,913	3,112,767
Charges for Services	590,249	0	0	0	0	590,249
Fines, Licenses, and Permits	92,782	0	0	0	0	92,782
Earnings on Investments	25,169	7,865	1,018	26,675	0	60,727
Miscellaneous	16,722	7,366	45,985	46,481	12,555	129,109
Total Cash Receipts	3,992,981	631,695	411,324	2,504,153	56,087	7,596,240
Cash Disbursements:						
Current:						
Security of Persons and Property	1,989,481	7,682	0	0	45,637	2,042,800
Public Health Services	335,445	0	0	0	0	335,445
Leisure Time Activities	63,000	0	0	0	0	63,000
Community Environment	156,724	0	0	0	0	156,724
Basic Utility Services	276,832	0	0	0	0	276,832
Transportation	22,688	779,230	0	0	0	801,918
General Government	1,015,726	0	0	0	10,094	1,025,820
Debt Service:						
Principal Payments	0	0	220,000	0	0	220,000
Interest Payments	0	0	181,610	0	0	181,610
Financing and Other Debt-Service Related	0	0	2,203	0	0	2,203
Capital Outlay	50,869	63,478	0	1,579,150	0	1,693,497
Total Cash Disbursements	3,910,765	850,390	403,813	1,579,150	55,731	6,799,849
Total Receipts Over/(Under) Disbursements	82,216	(218,695)	7,511	925,003	356	796,391
Other Financing Receipts and (Disbursements):						
Sale of Bonds	0	0	0	2,405,978	0	2,405,978
OPWC Loan Proceeds	0	0	0	123,976	0	123,976
Transfers-In	0	200,000	0	20,000	0	220,000
Transfers-Out	(200,000)	(20,000)	0	0	0	(220,000)
Total Other Financing Receipts/(Disbursements)	(200,000)	180,000	0	2,549,954	0	2,529,954
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(117,784)	(38,695)	7,511	3,474,957	356	3,326,345
Fund Cash Balances, January 1, 2003	2,570,755	998,632	182,273	2,506,019	177,677	6,435,356
Fund Cash Balances, December 31, 2003	<u>\$2,452,971</u>	<u>\$959,937</u>	<u>\$189,784</u>	<u>\$5,980,976</u>	<u>\$178,033</u>	<u>\$9,761,701</u>

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

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$2,280,502	\$326,000	\$0	\$2,606,502
Total Operating Cash Receipts	<u>2,280,502</u>	<u>326,000</u>	<u>0</u>	<u>2,606,502</u>
Operating Cash Disbursements:				
Personal Services	918,595	44,587	0	963,182
Travel Transportation	7,030	0	0	7,030
Contractual Services	1,097,858	38,726	0	1,136,584
Supplies and Materials	161,918	61,163	0	223,081
Capital Outlay	64,474	196,321	0	260,795
Total Operating Cash Disbursements	<u>2,249,875</u>	<u>340,797</u>	<u>0</u>	<u>2,590,672</u>
Operating Income/(Loss)	<u>30,627</u>	<u>(14,797)</u>	<u>0</u>	<u>15,830</u>
Non-Operating Cash Receipts:				
Earnings on Investments	31,184	0	0	31,184
Other Non-Operating Receipts	2,484	0	35,749	38,233
Total Non-Operating Cash Receipts	<u>33,668</u>	<u>0</u>	<u>35,749</u>	<u>69,417</u>
Non-Operating Cash Disbursements:				
Debt Service	69,284	0	0	69,284
Other Non-Operating Cash Disbursements	5,765	0	22,306	28,071
Total Non-Operating Cash Disbursements	<u>75,049</u>	<u>0</u>	<u>22,306</u>	<u>97,355</u>
Net Receipts Over/(Under) Disbursements	(10,754)	(14,797)	13,443	(12,108)
Fund Cash Balances, January 1, 2003	<u>3,667,677</u>	<u>487,076</u>	<u>16,357</u>	<u>4,171,110</u>
Fund Cash Balances, December 31, 2003	<u>\$3,656,923</u>	<u>\$472,279</u>	<u>\$29,800</u>	<u>\$4,159,002</u>

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

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Chagrin Falls, 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 seven-member Council. The Village provides general governmental services including maintenance of roads, rubbish collections, sanitary sewer/storm facilities, water building, zoning safety services and police and fire protection.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are 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 disbursements, respectively.

Certificates of deposit and U.S. Agency Securities are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

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

General Obligation Bond Fund- This fund is used to account for the accumulation of resources for and the payment of, general long term debt principal and interest for improvements to the Village waste water treatment plant.

4. Capital Project Funds

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

General Permanent Improvement Fund- This fund is used to account for the proceeds of a capital improvement levy. The proceeds are being used for major capital improvements and equipment purchases.

West Washington Street Project Fund- This fund was used to account for the improvements to West Washington Street.

5. Enterprise Funds

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

Water Fund- This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund- This fund receives charges for services from residents to cover the cost of providing this utility.

6. Internal Service Fund

This fund is used to account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis. The Village had the following significant Internal Service Fund:

Revolving Working Equipment Fund- This fund is used to account for the purchase of long lasting capital equipment.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

7. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Expendable Trust Fund

Police Disability and Pension fund- This fund is used to account for the funding of payroll pension requirements for the police disabilities and pension fund.

Agency Funds

Miscellaneous Deposits Fund- This fund is used to account for performance deposits provided by contractors for small jobs in the Village.

Paid/Received as Agent Fund- This fund is used to account for the Village of Moreland Hills's hydrant maintenance assessment. The assessment collected by the Village of Chagrin Falls through the submission of water bills to the Moreland Hill's residents.

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 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) as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

Demand deposits	\$1,178,465
Petty Cash	150
Certificates of deposit	10,891,083
Total Deposits	<u>12,069,698</u>
U.S. Agency Securities	1,851,005
Total Investment	<u>1,851,005</u>
Total deposits and investments	<u><u>\$13,920,703</u></u>

Deposits: Deposits are either 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 Depository Insurance Corporation.

Investments: U.S. Agency 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.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,828,644	\$3,992,981	\$164,337
Special Revenue	745,000	831,695	86,695
Debt Service	356,336	411,324	54,988
Capital Projects	400,000	5,054,107	4,654,107
Enterprise	2,645,000	2,314,170	(330,830)
Internal Service	200,000	326,000	126,000
Fiduciary	43,905	91,836	47,931
Total	\$8,218,885	\$13,022,113	\$4,803,228

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,125,641	\$4,110,765	\$14,876
Special Revenue	868,867	870,390	(1,523)
Debt Service	403,813	403,813	0
Capital Projects	2,709,134	1,579,150	1,129,984
Enterprise	2,431,063	2,324,924	106,139
Internal Service Fund	340,797	340,797	0
Fiduciary	82,644	78,037	4,607
Total	\$10,961,959	\$9,707,876	\$1,254,083

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

A. Expenditures Plus Encumbrances Exceeding Appropriations

Contrary to Ohio Rev. Code Section 5705.41 (B), as of October 31, 2003, expenditures plus encumbrances exceeded appropriation authority in the following funds as described below during the year ended December 31, 2003.

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
General Fund:			
Police Law Enforcement – Part Time	\$103,200	\$128,953	(\$25,753)
Police Law Enforcement – Personnel Benefits	18,000	18,696	(696)
Police Law Enforcement – Utilities	1,200	2,647	(1,447)
Police Law Enforcement – Contractual Service	28,000	30,673	(2,673)
Police Law Enforcement – Prisoner Sustenance	15,000	23,441	(8,441)
Fire Fighting – Overtime	0	11	(11)
Fire Fighting – Part Time	0	41,391	(41,391)
Fire Fighting – Personnel Benefits	1,000	1,118	(118)
Police/Fire Communications – Pension Pick-up	25,200	25,712	(512)
Police/Fire Communications – Travel & Education	1,200	4,346	(3,146)
Police/Fire Communications - Utilities	7,800	8,949	(1,149)
Cemetery – Utilities	1,000	1,103	(103)
Cemetery – Contractual Services	8,500	10,713	(2,213)
Cemetery – Capital Outlay	5,500	11,181	(5,681)
Parks – Part Time	2,900	3,375	(475)
Parks – Utilities	3,000	3,125	(125)
Parks – Contractual Services	1,400	2,513	(1,113)
Building Department – Pension	1,400	2,090	(690)
Building Department – Contractual Services	6,200	8,656	(2,456)
Building Department – Operating Expenses	4,600	4,798	(198)
Forestry – Part Time	800	1,339	(539)
Refuse Collection/Disposal - Overtime	1,000	1,352	(352)
Parking – Salaries & Wages	0	475	(475)
Parking – Overtime	0	117	(117)
Parking – Part Time	0	488	(488)
Parking – Capital Outlay	8,500	17,172	(8,672)
Sidewalks – Overtime	300	587	(287)
Sidewalks – Part Time	500	504	(4)
Sidewalks – Contractual Services	0	600	(600)
Mayor's Office – Operating Expenses	2,500	3,872	(1,372)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

A. Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
General Fund (Continued):			
Mayor's Office – Travel & Education	\$2,000	\$4,647	(\$2,647)
Legislative – Travel & Education	300	762	(462)
Court – Salaries & Wages	0	750	(750)
Court - Overtime	0	302	(302)
Court – Travel & Education	0	374	(374)
Finance – Part Time	500	11,615	(11,115)
Finance – Pension Pick-Up	11,300	11,509	(209)
Finance – Fees & Misc. Services	40,000	53,905	(13,905)
Finance – Contractual Services	12,500	13,896	(1,396)
Lands and Building – Overtime	200	506	(306)
Lands and Building – Utilities	68,000	88,185	(20,185)
Lands and Building – Contractual Services	46,000	55,362	(9,362)
Lands and Building – Operating Expenses	19,900	25,957	(6,057)
State Examiners – Fees & Misc. Services	12,000	22,526	(10,526)
Chief Admin. Officer – Part Time	1,000	1,350	(350)
Chief Admin. Officer – Pension	8,100	12,475	(4,375)
Chief Admin. – Travel & Education	1,500	1,746	(246)
Other – Pension Pick-Up	12,300	12,758	(458)
Other – Workers' Compensation	42,300	77,080	(34,780)
Other – Insurance	24,700	46,848	(22,148)
Other – Contractual Services	51,500	76,440	(24,940)
Other – Operating Expenses	20,700	46,880	(26,180)
Special Revenue Funds:			
Streets Maintenance and Repair Fund:			
Street Maint./Repair – Salaries & Wages	20,600	25,625	(5,025)
Street Maint./Repair – Overtime	700	1,424	(724)
Street Maint./Repair – Part Time	900	1,247	(347)
Street Maint./Repair – Operating Expenses	5,000	6,664	(1,664)
Snow/Ice Removal – Salaries & Wages	7,300	10,729	(3,429)
Storm Sewer/Drains – Salaries & Wages	11,500	17,784	(6,284)
Storm Sewer/Drains – Overtime	500	3,052	(2,552)
Storm Sewer/Drains – Part Time	800	821	(21)
Storm Sewer/Drains – Capital Outlay	8,800	8,951	(151)
Traffic Signs/Signals – Contractual Services	32,100	34,714	(2,614)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

A. Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
Special Revenue Funds (Continued):			
Streets Maintenance and Repair Fund (Continued):			
Street Cleaning – Operating Expenses	\$200	\$256	(\$56)
Service Garage – Overtime	100	195	(95)
Service Garage – Part Time	1,000	1,419	(419)
Service Garage – Contractual Services	4,200	25,242	(21,042)
Service Garage – Operating Expenses	5,000	9,112	(4,112)
Administrative and Other – Personnel Benefits	0	5,011	(5,011)
Administrative and Other – Pension	32,200	32,766	(566)
Administrative and Other – Pension Pick- Up	20,200	25,038	(4,838)
Administrative and Other – Fees & Misc. Services	8,300	9,513	(1,213)
Administrative and Other – Insurance	9,300	17,568	(8,268)
Administrative and Other – Utilities	1,100	4,523	(3,423)
Administrative and Other – Operating Expenses	33,200	41,134	(7,934)
Drug Law Enforcement Fund:			
Drug Law Enforcement – Operating Expenses	0	300	(300)
G.R.E.A.T. Fund:			
G.R.E.A.T. Program – Operating Expenses	4,300	4,585	(285)
Debt Service Fund:			
General Bond Retirement Fund:			
General Bond Retirement – Transfer Out	0	1,638	(1,638)
Capital Projects Funds:			
General Permanent Improvement Fund:			
Capital Projects – Contractual Services	49,600	115,413	(65,813)
Traffic Signal System Fund:			
Capital Projects – Contractual Services	0	68,494	(68,494)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

A. Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
Capital Projects Funds (Continued):			
Bell Street Construction Fund:			
Capital Projects – Capital Outlay	\$0	\$7,381,170	(\$7,381,170)
2003 Street Program Fund:			
Capital Projects – Contractual Services	20,000	20,040	(40)
Capital Projects – Operating Expenses	0	284,870	(284,870)
High Street Sanitary Sewer Fund:			
Capital Projects – Contractual Services	20,000	30,872	(10,872)
2003 Sidewalk Program Fund:			
Capital Projects – Capital Outlay	0	1,956	(1,956)
Streetscape Project Fund:			
Capital Projects – Contractual Services	0	339,713	(339,713)
Enterprise Funds:			
Water Fund:			
Distribution – Salaries & Wages	38,700	47,764	(9,064)
Distribution – Part Time	2,400	4,161	(1,761)
Distribution – Contractual Services	10,000	24,433	(14,433)
Distribution – Operating Expenses	45,000	46,854	(1,854)
Office Administration - Other	0	299	(299)
Office Administration – Pension Pick-Up	16,700	16,848	(148)
Office Administration - Insurance	13,800	26,352	(12,552)
Supply – Capital Outlay	0	1,009	(1,009)
Non-Governmental Expenditures – Reimbursements	1,000	1,782	(782)
Sewer Fund:			
Office Administration – Insurance	13,800	25,162	(11,362)
Office Administration – Utilities	4,500	8,053	(3,553)
Sanitary Sewers – Overtime	1,400	1,441	(41)
Sanitary Sewers – Utilities	7,000	9,072	(2,072)
Treatment – Overtime	12,500	12,612	(112)
Treatment – Operating Expenses	65,000	75,807	(10,807)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

A. Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
Internal Service Fund:			
Working Equipment – Salaries & Wages	\$25,700	\$39,387	(\$13,687)
Working Equipment – Contractual Services	31,400	45,221	(13,821)
Working Equipment – Gasoline	33,700	34,147	(447)
Fiduciary Funds:			
Miscellaneous Deposits Fund:			
Miscellaneous – Reimbursements	15,000	16,000	(1,000)
Whitesburg Park Fund:			
Whitesburg Nature Preserve – Contractual Services	0	9,000	(9,000)

These variances were corrected by December 31, 2003.

B. Negative Cash Fund Balances

Contrary to Ohio law, as of December 31, 2003 the Ridgewood Road Sewer and High Street Sanitary Sewer Capital Projects funds had negative cash fund balances in the amounts of \$7,057 and \$16,479 respectively.

C. Appropriations Exceeding Estimated Resources

Contrary to Ohio law, as of October 31, 2003, and December 31, 2003, appropriations exceeded estimated resources in the following funds as described below:

<u>Fund</u>	<u>Estimated Resources as of October 31, 2003</u>	<u>Appropriations as of October 31, 2003</u>	<u>Variance</u>
Capital Projects Funds:			
Ridgewood Sanitary Sewer	\$456	\$14,200	(\$13,744)
West Washington Street	48,792	628,000	(579,208)
2003 Road Program	13,369	270,000	(256,631)
2004 Road Program	9,700	147,000	(137,300)
High Street Sanitary Sewer	2,864	239,500	(236,636)
Streetscape Project	177,598	412,100	(234,502)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

C. Appropriations Exceeding Estimated Resources (Continued)

<u>Fund</u>	<u>Estimated Resources at December 31, 2003</u>	<u>Appropriations at December 31, 2003</u>	<u>Variance</u>
Capital Projects Funds:			
Traffic Signal System	\$56,456	\$69,353	(\$12,897)
Ridgewood Road Sanitary Sewer	5,745	14,114	(8,369)
West Washington Street	614,060	650,498	(36,438)
2003 Road Program	168,256	206,693	(38,437)
2004 Road Program	122,077	149,964	(27,887)
High Street Sanitary Sewer	36,043	60,755	(24,712)
2003 Sidewalk Program	1,592	1,956	(364)

D. Encumbrance of Funds

A review of expenditures in fiscal year 2003 disclosed that 28 out of 37 reviewed (or \$154,903 out of \$634,211 reviewed) were not encumbered in accordance with Ohio Rev. Code Section 5705.41 (D).

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% 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 Taxes are collected by the Regional Income Tax Authority and remitted to the Village monthly.

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 CHAGRIN FALLS
CUYAHOGA COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1979 Ohio Water Development Authority Loan	\$33,398	5.25%
1998 Ohio Public Works Commission	211,705	0.00%
2003 Ohio Public Works Commission	106,500	0.00%
2004 Ohio Public Works Commission	194,786	0.00%
1998 Advance Refunding General Obligation Bonds	2,350,000	6.508%
1988 Miles Road Sewers - Special Assessment Bonds	105,000	7.625%
1992 Hickory Hill Sewers - Special Assessment Bonds	145,000	6.03%
2003 General Obligation Bonds Streetscape	<u>2,400,000</u>	3.77%
Total	<u>\$5,546,389</u>	

The Ohio Water Development Authority (OWDA) loan relates to a 1979 wastewater treatment plant construction project. The loans are being repaid in semiannual installments of \$34,642, including interest, over 30 years. The Ohio Public Works Commission (OPWC) loans relate to a road and sewer rehabilitation projects. These loans are interest free. The 1998 OPWC loan was for \$282,274 and will be repaid in semiannual installments of \$7,057 over 20 years. The 2003 OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. As of December 31, 2003, the Village had not yet received the full loan amount of the 2004 OPWC loan. The full loan will be \$258,000. As of December 31, 2003, the Village had received \$194,786 of the loan. The Village will begin repaying the loan in 2005. The loan will be repaid in semiannual installments of \$6,450 over 20 years. The 1998 Advance Refunding General Obligation Bonds were used for improvements to the Village wastewater treatment plant. The 1988 and 1992 Special Assessment bonds were used for sanitary sewer improvements. The 2003 General Obligation Bonds are being used for the Streetscape capital improvement project.

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

	<u>OWDA Loan</u>	<u>OPWC Loans</u>	<u>General Obligation (Adv. Refund) Bonds</u>	<u>Special Assessment Miles Rd Sewer</u>	<u>Special Assessment Hickory Rd Sewers</u>	<u>General Obligation Bonds Streetscape</u>
2004	\$34,642	\$19,440	\$355,400	\$28,006	\$18,995	\$227,094
2005		32,340	352,280	26,481	23,400	222,375
2006		32,340	358,520	24,956	22,500	224,675
2007		32,340	348,480	23,432	21,562	221,700
2008		32,340	348,120	26,906	20,625	223,200
2009-2013		161,695	1,397,440		87,188	1,100,213
2014-2018		161,695				1,073,893
2019-2023		91,125				
2024-2028		12,890				
Total	<u>\$34,642</u>	<u>\$576,205</u>	<u>\$3,160,240</u>	<u>\$129,781</u>	<u>\$194,270</u>	<u>\$3,293,150</u>

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, members of OP&F contributed 1.5% to OP&F while the Village picked up or contributed 8.5% on behalf of the members. The Village also contributed their employer amount equal to 19.5% of participant's wages. In addition to the Village contributing 8.5% on behalf of OPERS members (pick-up) the Village also contributed its employer portion of 13.55% of participant's gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Northern Ohio Risk Management Association (NORMA) is jointly owned and operated by the Cities of Bedford Heights, Eastlake, Highland Heights, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Villages of Chagrin Falls and Hudson for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must commit to the joint venture for terms of three years. Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the municipalities' percentage of contributions. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual members to make additional supplementary payments up to a maximum of the regular annual payment.

For the year ended December 31, 2003, the Village paid \$35,188 in premiums to NORMA.

Management believes that the cash reserves for unpaid losses is adequate for current needs but that they may be required to increase the cash contribution in the future, if determined as necessary.

There were no reductions in the insurance coverage from previous year, nor have settlements exceeded insurance coverage in any of the prior three years.

9. CONTINGENT LIABILITIES

The Village is defendant in lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

10. JOINT VENTURE

The Bedford Heights Municipal Jail (the "Facility") is a joint venture among the municipalities of Chagrin Falls, Glenwillow, and Bedford Heights. The facility is governed by a management advisory board consisting of the elected mayors of the three member municipalities. The board has complete authority over all aspects of the facilities operation. The facility provides all participating communities access to the use of the minimum security misdemeanor jail. The term of the joint venture shall be a minimum of twenty-five years. The Village of Chagrin Falls' interest in the facility is \$300,000, which represents 23 percent of the total facility. The facility is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the Village. Complete financial statements can be obtained from the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146.



**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 Chagrin Falls
Cuyahoga County
21 West Washington Street
Chagrin Falls, Ohio 44022

To the Village Council:

We have audited the financial statements of the Village of Chagrin Falls, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated July 14, 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 14, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 to 2003-003. In a separate letter to the Village's management dated July 14, 2005, we reported other matters related to noncompliance we deemed immaterial.

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 14, 2005

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

Finding Number	2003-001
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Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. Budgetary expenditures as enacted by the Village may not exceed appropriations at the legal level of control for all funds.

During our testing, we noted the following appropriated line items in which expenditures plus encumbrances exceeding appropriations as of October 31, 2003:

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
General Fund:			
Police Law Enforcement – Part Time	\$103,200	\$128,953	(\$25,753)
Police Law Enforcement – Personnel Benefits	18,000	18,696	(696)
Police Law Enforcement – Utilities	1,200	2,647	(1,447)
Police Law Enforcement – Contractual Service	28,000	30,673	(2,673)
Police Law Enforcement – Prisoner Sustenance	15,000	23,441	(8,441)
Fire Fighting – Overtime	0	11	(11)
Fire Fighting – Part Time	0	41,391	(41,391)
Fire Fighting – Personnel Benefits	1,000	1,118	(118)
Police/Fire Communications – Pension Pick-up	25,200	25,712	(512)
Police/Fire Communications – Travel & Education	1,200	4,346	(3,146)
Police/Fire Communications - Utilities	7,800	8,949	(1,149)
Cemetery – Utilities	1,000	1,103	(103)
Cemetery – Contractual Services	8,500	10,713	(2,213)
Cemetery – Capital Outlay	5,500	11,181	(5,681)
Parks – Part Time	2,900	3,375	(475)
Parks – Utilities	3,000	3,125	(125)
Parks – Contractual Services	1,400	2,513	(1,113)
Building Department – Pension	1,400	2,090	(690)
Building Department – Contractual Services	6,200	8,656	(2,456)
Building Department – Operating Expenses	4,600	4,798	(198)
Forestry – Part Time	800	1,339	(539)
Refuse Collection/Disposal - Overtime	1,000	1,352	(352)
Parking – Salaries & Wages	0	475	(475)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

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

Finding Number	2003-001
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Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
General Fund (Continued):			
Parking – Overtime	\$0	\$117	(\$117)
Parking – Part Time	0	488	(488)
Parking – Capital Outlay	8,500	17,172	(8,672)
Sidewalks – Overtime	300	587	(287)
Sidewalks – Part Time	500	504	(4)
Sidewalks – Contractual Services	0	600	(600)
Mayor’s Office – Operating Expenses	2,500	3,872	(1,372)
Mayor’s Office – Travel & Education	2,000	4,647	(2,647)
Legislative – Travel & Education	300	762	(462)
Court – Salaries & Wages	0	750	(750)
Court – Overtime	0	302	(302)
Court – Travel & Education	0	374	(374)
Finance – Part Time	500	11,615	(11,115)
Finance – Pension Pick-Up	11,300	11,509	(209)
Finance – Fees & Misc. Services	40,000	53,905	(13,905)
Finance – Contractual Services	12,500	13,896	(1,396)
Lands and Building – Overtime	200	506	(306)
Lands and Building – Utilities	68,000	88,185	(20,185)
Lands and Building – Contractual Services	46,000	55,362	(9,362)
Lands and Building – Operating Expenses	19,900	25,957	(6,057)
State Examiners – Fees & Misc. Services	12,000	22,526	(10,526)
Chief Admin. Officer – Part Time	1,000	1,350	(350)
Chief Admin. Officer – Pension	8,100	12,475	(4,375)
Chief Admin. – Travel & Education	1,500	1,746	(246)
Other – Pension Pick-Up	12,300	12,758	(458)
Other – Workers’ Compensation	42,300	77,080	(34,780)
Other – Insurance	24,700	46,848	(22,148)
Other – Contractual Services	51,500	76,440	(24,940)
Other – Operating Expenses	20,700	46,880	(26,180)
Special Revenue Funds:			
Streets Construction Maintenance and Repair Fund:			
Street Maint./Repair – Salaries & Wages	20,600	25,625	(5,025)
Street Maint./Repair – Overtime	700	1,424	(724)
Street Maint./Repair – Part Time	900	1,247	(347)
Street Maint./Repair – Operating Expenses	5,000	6,664	(1,664)
Snow/Ice Removal – Salaries & Wages	7,300	10,729	(3,429)
Storm Sewer/Drains – Salaries & Wages	11,500	17,784	(6,284)
Storm Sewer/Drains – Overtime	500	3,052	(2,552)
Storm Sewer/Drains – Part Time	800	821	(21)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

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

Finding Number	2003-001
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Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
Special Revenue Funds (Continued):			
Streets Maintenance and Repair Fund (Continued):			
Storm Sewer/Drains – Capital Outlay	\$8,800	\$8,951	(\$151)
Traffic Signs/Signals – Contractual Services	32,100	34,714	(2,614)
Street Cleaning – Operating Expenses	200	256	(56)
Service Garage – Overtime	100	195	(95)
Service Garage – Part Time	1,000	1,419	(419)
Service Garage – Contractual Services	4,200	25,242	(21,042)
Service Garage – Operating Expenses	5,000	9,112	(4,112)
Administrative and Other – Personnel Benefits	0	5,011	(5,011)
Administrative and Other – Pension	32,200	32,766	(566)
Administrative and Other – Pension Pick-Up	20,200	25,038	(4,838)
Administrative and Other – Fees & Misc. Services	8,300	9,513	(1,213)
Administrative and Other – Insurance	9,300	17,568	(8,268)
Administrative and Other – Utilities	1,100	4,523	(3,423)
Administrative and Other – Operating Expenses	33,200	41,134	(7,934)
Drug Law Enforcement Fund:			
Drug Law Enforcement – Operating Expenses	0	300	(300)
G.R.E.A.T. Fund:			
G.R.E.A.T. Program – Operating Expenses	4,300	4,585	(285)
Debt Service Fund:			
General Bond Retirement Fund:			
General Bond Retirement – Transfer Out	0	1,638	(1,638)
Capital Projects Funds:			
General Permanent Improvement Fund:			
Capital Projects – Contractual Services	49,600	115,413	(65,813)
Traffic Signal System Fund:			
Capital Projects – Contractual Services	0	68,494	(68,494)
Bell Street Construction Fund:			
Capital Projects – Capital Outlay	0	7,381,170	(7,381,170)
2003 Street Program Fund:			
Capital Projects – Contractual Services	20,000	20,040	(40)
Capital Projects – Operating Expenses	0	284,870	(284,870)
High Street Sanitary Sewer Fund:			
Capital Projects – Contractual Services	20,000	30,872	(10,872)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

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

Finding Number	2003-001
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Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations</u>	<u>Expenditures Plus Encumbrances as of October 31, 2003</u>	<u>Variance</u>
Capital Projects Funds (Continued):			
2003 Sidewalk Program Fund:			
Capital Projects – Capital Outlay	\$0	\$1,956	(\$1,956)
Streetscape Project Fund:			
Capital Projects – Contractual Services	0	339,713	(339,713)
Enterprise Funds:			
Water Fund:			
Distribution – Salaries & Wages	38,700	47,764	(9,064)
Distribution – Part Time	2,400	4,161	(1,761)
Distribution – Contractual Services	10,000	24,433	(14,433)
Distribution – Operating Expenses	45,000	46,854	(1,854)
Office Administration - Other	0	299	(299)
Office Administration – Pension Pick-Up	16,700	16,848	(148)
Office Administration - Insurance	13,800	26,352	(12,552)
Supply – Capital Outlay	0	1,009	(1,009)
Non-Governmental Expenditures – Reimbursements	1,000	1,782	(782)
Sewer Fund:			
Office Administration – Insurance	13,800	25,162	(11,362)
Office Administration – Utilities	4,500	8,053	(3,553)
Sanitary Sewers – Overtime	1,400	1,441	(41)
Sanitary Sewers – Utilities	7,000	9,072	(2,072)
Treatment – Overtime	12,500	12,612	(112)
Treatment – Operating Expenses	65,000	75,807	(10,807)
Internal Service Fund:			
Working Equipment – Salaries & Wages	25,700	39,387	(13,687)
Working Equipment – Contractual Services	31,400	45,221	(13,821)
Working Equipment – Gasoline	33,700	34,147	(447)
Fiduciary Funds:			
Miscellaneous Deposits Fund:			
Miscellaneous - Reimbursements	15,000	16,000	(1,000)
Whitesburg Park Fund:			
Whitesburg Nature Preserve – Contractual Services	0	9,000	(9,000)

These variances were corrected by December 31, 2003.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

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

Finding Number	2003-001
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Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

We recommend that the Village expend only those monies which have been properly appropriated and ensure all final appropriations are passed prior to the end of the fiscal year.

Finding Number	2003-002
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Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 prohibits appropriations from each fund from exceeding the total estimated resources.

During our testing, we noted the following funds had appropriations exceeding the estimated resources at October 31, 2003:

<u>Fund</u>	<u>Estimated Resources as of October 31, 2003</u>	<u>Appropriations as of October 31, 2003</u>	<u>Variance</u>
Capital Projects Funds:			
Ridgewood Sanitary Sewer	\$456	\$14,200	(\$13,744)
West Washington Street	48,792	628,000	(579,208)
2003 Road Program	13,369	270,000	(256,631)
2004 Road Program	9,700	147,000	(137,300)
High Street Sanitary Sewer	2,864	239,500	(236,636)
Streetscape Project	177,598	412,100	(234,502)

During our testing, we noted the following funds had appropriations exceeding the estimated resources at December 31, 2003

<u>Fund</u>	<u>Estimated Resources as of December 31, 2003</u>	<u>Appropriations as of December 31, 2003</u>	<u>Variance</u>
Capital Projects Funds:			
Traffic Signal System	\$56,456	\$69,353	(\$12,897)
Ridgewood Sanitary Sewer	5,745	14,114	(8,369)
West Washington Street	614,060	650,498	(36,438)
2003 Road Program	168,256	206,693	(38,437)
2004 Road Program	122,077	149,964	(27,887)
High Street Sanitary Sewer	36,043	60,755	(24,712)
2003 Sidewalk Program	1,592	1,956	(364)

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)

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

Finding Number	2003-002
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Appropriations Exceeding Estimated Resources (Continued)

In addition, we noted that the Village's actual receipts in the Capital Projects fund were \$4,654,107 more than the estimated receipts reported on the Amended Official Certificate of Estimated Resources.

We recommend the Village monitor appropriations and amend the certificate of estimated resources to ensure that appropriations do not exceed estimated resources.

Finding Number	2003-003
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PURCHASE ORDER CERTIFICATION*

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision from making any contract or ordering any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)

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

Finding Number	2003-003
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Purchase Order Certification* (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

A review of expenditures in fiscal year 2003 disclosed that 28 out of 37 transactions reviewed (or \$154,903 out of \$634,211 reviewed) were not encumbered prior to the purchase commitment. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify the availability of funds prior to entering into any expenditure commitment. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

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

<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; <i>Explain:</i>
2002-001	Ohio Rev. Code Section 5705.41(B) and (D) Expenditures Plus Encumbrances Exceeding Appropriations	Not Corrected	Re-issued Finding 2003-001
2002-002	Bank Reconciliations	Corrected	Bank reconciliations prepared timely. All reconciling items supported by proper documentation.
2002-003	Reporting and Computer System Issues	Corrected	Computer system functions and output are adequate to support the Village's accounting and finance function. System-generated reports provide sufficient level of detailed revenue, expenditure, budgetary, and fund balance information.



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VILLAGE OF CHAGRIN FALLS

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, 2005**