



OHIO AUDITOR OF STATE
KEITH FABER



**CHAGRIN VALLEY DISPATCH COUNCIL
 CUYAHOGA COUNTY
 DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Chagrin Valley Dispatch Council
Cuyahoga County
88 Center Street
Bedford, Ohio 44146

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Chagrin Valley Dispatch Council, Cuyahoga County, Ohio (the Council).

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council, as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Council, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 10 in the notes to the financial statements for the year ended December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. We did not modify our opinion regarding this matter. Additionally, as discussed in Note 10 in the notes to the financial statements for the year ended December 31, 2019, the Council restated the December 31, 2018 fund balances in the General, Enterprise and Agency Funds. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022, on our consideration of the Council'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 22, 2022

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Chagrin Valley Dispatch Council
Cuyahoga County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Governmental Fund Types
For the Year Ended December 31, 2020

	General	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Charges for Services	\$8,450,231	\$0	\$96,052	8,546,283
Interest	10,794	0	0	10,794
Miscellaneous	130,092	0	53,743	183,835
<i>Total Cash Receipts</i>	<u>8,591,117</u>	<u>0</u>	<u>149,795</u>	<u>8,740,912</u>
Cash Disbursements				
Current:				
General Government	885,719	0	0	885,719
Public Safety	7,490,372	0	798,607	8,288,979
<i>Total Cash Disbursements</i>	<u>8,376,091</u>	<u>0</u>	<u>798,607</u>	<u>9,174,698</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>215,026</u>	<u>0</u>	<u>(648,812)</u>	<u>(433,786)</u>
Other Financing Receipts (Disbursements)				
Loans Issued	0	882,059	0	882,059
Transfers In	120,000	0	546,739	666,739
Transfers Out	(806,908)	0	(100,000)	(906,908)
Advances In	70,000	0	516,000	586,000
Advances Out	(520,000)	0	0	(520,000)
Other Financing Sources	3,500	0	0	3,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,133,408)</u>	<u>882,059</u>	<u>962,739</u>	<u>711,390</u>
<i>Net Change in Fund Cash Balance</i>	(918,382)	882,059	313,927	277,604
<i>Fund Cash Balance, January 1</i>	<u>1,220,485</u>	<u>0</u>	<u>(214,026)</u>	<u>1,006,459</u>
Fund Cash Balance, December 31				
Restricted	0	882,059	0	882,059
Committed	0	0	99,901	99,901
Unassigned (Deficit)	302,103	0	0	302,103
<i>Fund Cash Balance, December 31</i>	<u>\$302,103</u>	<u>\$882,059</u>	<u>\$99,901</u>	<u>\$1,284,063</u>

See accompanying notes to the basic financial statements

Chagrin Valley Dispatch Council
 Cuyahoga County
 Statement of Receipts, Disbursements
 and Changes in Fund Balance (Regulatory Cash Basis)
 Proprietary Fund Types
 For the Year Ended December 31, 2020

	Enterprise	Internal Service	Total Proprietary (Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$882,622	\$42,814	\$925,436
Miscellaneous	0	1,600	1,600
<i>Total Operating Cash Receipts</i>	<u>882,622</u>	<u>44,414</u>	<u>927,036</u>
Operating Cash Disbursements			
Salaries	3,325	0	3,325
Employee Fringe Benefits	469	0	469
Purchased and Contracted Services	735,047	104,087	839,134
Supplies and Materials	23,465	0	23,465
Other	0	1,300	1,300
<i>Total Operating Cash Disbursements</i>	<u>762,306</u>	<u>105,387</u>	<u>867,693</u>
<i>Operating Income (Loss)</i>	<u>120,316</u>	<u>(60,973)</u>	<u>59,343</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	50,823	243,642	294,465
Miscellaneous Receipts	0	75,867	75,867
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>50,823</u>	<u>319,509</u>	<u>370,332</u>
<i>Income (Loss) before Capital Contributions, Special Items, Extraordinary Item, Transfers and Advances</i>	171,139	258,536	429,675
Transfers In	192,419	67,750	260,169
Transfers Out	(20,000)	0	(20,000)
Advances In	4,000	0	4,000
Advances Out	0	(70,000)	(70,000)
<i>Net Change in Fund Cash Balance</i>	<u>347,558</u>	<u>256,286</u>	<u>603,844</u>
<i>Fund Cash Balance, January 1</i>	<u>232,311</u>	<u>64,166</u>	<u>296,477</u>
<i>Fund Cash Balance, December 31</i>	<u>\$579,869</u>	<u>\$320,452</u>	<u>\$900,321</u>

Chagrin Valley Dispatch Council
Cuyahoga County
Statement of Additions, Deductions
and Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Types
For the Year Ended December 31, 2020

	<u>Fiduciary Fund Type</u>	
	<u>Custodial</u>	
	<u>Other</u>	
	<u>Custodial</u>	
Additions		
Intergovernmental	\$8,147	
<i>Total Additions</i>	<u>8,147</u>	
Deductions		
Distributions on Behalf of Employees	8,147	
Other Distributions	<u>3,500</u>	
<i>Total Deductions</i>	<u>11,647</u>	
<i>Net Change in Fund Balances</i>	(3,500)	
<i>Fund Cash Balances, January 1</i>	<u>3,500</u>	
<i>Fund Cash Balances, December 31</i>	<u><u>\$0</u></u>	

See accompanying notes to the basic financial statements

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Chagrin Valley Dispatch Council (the Council), Cuyahoga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council operates in accordance with a written agreement establishing the Council pursuant to Ohio Revised Code Chapter 167. A 27-member Board of Trustees directs the Council. Each political subdivision within the Council appoints one member. Those subdivisions are Cities of Bedford, Brecksville, Broadview Heights, Brooklyn, Euclid, Independence, Maple Heights, Seven Hills, and Solon, Townships of Chagrin Falls and South Russell, and Villages of Bentleyville, Bratenahl, Brooklyn Heights, Chagrin Falls, Cuyahoga Heights, Gates Mills, Glenwillow, Highland Hills, Hunting Valley, Moreland Hills, Newburgh Heights, North Randall, Orange, Valley View, and Woodmere, as well as the Cleveland Metroparks. The Council provides emergency dispatch and related IT services.

Related Organizations

The Council is associated with a related organization, the Heights – Hillcrest Communication Center (HHCC). Note 8 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Council's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the general, debt service, capital projects, enterprise, internal service and custodial funds.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Council are presented below:

General Fund The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Council had the following significant Debt Service Funds:

Debt Service This fund accounts for and reports loan activity and other future debt.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Council had the following significant capital project funds:

CVD Capital Projects Fund This fund accounts for and reports construction and other capital projects financed through the Council.

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

CVD Enterprise Fund This fund accounts for a portion of the member government contributions to the Council.

Internal Service Fund This fund accounts for services provided by one department to other departments of the government unit. The Entity had the following Internal Service Fund:

CVD Internal Services Fund The self-funded insurance medical fund accounts for insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

Fiduciary Funds Fiduciary funds include pension and other employee benefit trust funds, private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Capital Assets

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Council classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Council Governing Board or an Council official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31 was \$2,184,384. Of these deposits, \$250,000 was insured by the Federal Depository Insurance Corporation, and \$1,934,384 was covered by pooled collateral in accordance with the Ohio Revised Code.

Note 4 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Council pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

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

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Employee Insurance

Insurance obtained for the employees include health care through COSE Health and Wellness Trust, and dental, vision and life insurance coverage through Met Life.

Note 5 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries, and the Council contributed an amount equaling 14% percent of participants' gross salaries. The Council has paid all contributions required through December 31, 2020.

Note 6 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2020.

Note 7 – Debt

Leases

The Council leases two buildings at below market rates. The Council disbursed \$1.50 to pay lease costs for the year ended December 31, 2020.

The 12 year lease of the University Hospitals' Bedford Medical Building executed in 2013 is a 3,548 square foot space provided at the below market annual rate of \$1.00 due to the value of the dispatch services provided by the Council.

See note 9 below for a description of the lease between the Council and the City of Brecksville.

Loans

The Council entered into loans in 2020 with First National Bank to purchase a Ford Transit van and a mobile command center. The Council received total funds of \$882,059 in a First National Bank account and will repay the loan with payments in February and August each year through 2030. The following is the loan repayment schedule:

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$92,441	\$11,307	\$103,748
2022	88,428	15,321	103,749
2023	90,201	13,548	103,749
2024	82,171	11,787	93,958
2025	83,819	10,139	93,958
2026-2030	<u>444,999</u>	<u>24,789</u>	<u>469,788</u>
Total	\$882,059	\$86,891	\$968,950

Note 8 – Related Organization

Heights – Hillcrest Communication Center (HHCC) is a Council of Government and Chagrin Valley Dispatch Council is under contract to serve as the project manager, dispatch center manager, provide day to day operations, and IT management services. HHCC pays the Council \$125,000 annually. A five year contract became effective on December 1, 2016. At the end of the five year term, HHCC will join Chagrin Valley Dispatch Council and will dissolve HHCC.

Note 9 – Related Party Transactions

The City of Brecksville is a member organization who built a new Police Station that houses the COG's second Dispatch Center. The premises is exclusively used for providing emergency dispatch services for Brooklyn, Brecksville, Brooklyn Heights, Independence, Broadview heights, Seven Hills, Valley View, Cuyahoga Heights and Newburgh Heights. A lease agreement with the City of Brecksville for the use of the 2,402 square foot space was executed in 2017. The term of the lease is 60 months, with a cost of \$0.50 per year, or \$2.50 for the term of the lease.

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Chagrin Valley Dispatch Council
Cuyahoga County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Governmental Fund Types
For the Year Ended December 31, 2019

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$7,254,215	\$180,786	7,435,001
Intergovernmental	32,331	0	32,331
Interest	4,355	0	4,355
Miscellaneous	537,335	0	537,335
<i>Total Cash Receipts</i>	<u>7,828,236</u>	<u>180,786</u>	<u>8,009,022</u>
Cash Disbursements			
Current:			
General Government	804,303	0	804,303
Public Safety	6,274,561	744,812	7,019,373
<i>Total Cash Disbursements</i>	<u>7,078,864</u>	<u>744,812</u>	<u>7,823,676</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>749,372</u>	<u>(564,026)</u>	<u>185,346</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	100,000	100,000
Transfers Out	(123,500)	0	(123,500)
Advances In	0	250,000	250,000
Advances Out	(320,000)	0	(320,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(443,500)</u>	<u>350,000</u>	<u>(93,500)</u>
<i>Net Change in Fund Cash Balance</i>	305,872	(214,026)	91,846
<i>Fund Cash Balance, January 1, Restated</i>	<u>914,613</u>	<u>0</u>	<u>914,613</u>
Fund Cash Balance, December 31			
Committed	0	91,479	91,479
Unassigned (Deficit)	1,220,485	(305,505)	914,980
<i>Fund Cash Balance, December 31</i>	<u>\$1,220,485</u>	<u>(\$214,026)</u>	<u>\$1,006,459</u>

See accompanying notes to the basic financial statements

Chagrin Valley Dispatch Council
 Cuyahoga County
 Statement of Receipts, Disbursements
 and Changes in Fund Balance (Regulatory Cash Basis)
 Proprietary and Fiduciary Fund Types
 For the Year Ended December 31, 2019

	Enterprise	Internal Service	Custodial	Total Proprietary and Custodial (memorandum Only)
Operating Cash Receipts				
Charges for Services	\$562,809	\$220,691	\$0	\$783,500
<i>Total Operating Cash Receipts</i>	<u>562,809</u>	<u>220,691</u>	<u>0</u>	<u>783,500</u>
Operating Cash Disbursements				
Salaries	0	242,123	0	242,123
Employee Fringe Benefits	0	27,508	0	27,508
Purchased and Contracted Services	517,404	188,775	0	706,179
Supplies and Materials	29,095	1,715	0	30,810
Other	0	2,929	8,569	11,498
<i>Total Operating Cash Disbursements</i>	<u>546,499</u>	<u>463,050</u>	<u>8,569</u>	<u>1,018,118</u>
<i>Operating Income (Loss)</i>	<u>16,310</u>	<u>(242,359)</u>	<u>(8,569)</u>	<u>(234,618)</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental	21,001	236,525	8,569	266,095
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>21,001</u>	<u>236,525</u>	<u>8,569</u>	<u>266,095</u>
<i>Income (Loss) before Transfers and Advances</i>	37,311	(5,834)	0	31,477
Transfers In	20,000	0	3,500	23,500
Advances In	0	70,000	0	70,000
<i>Net Change in Fund Cash Balance</i>	<u>57,311</u>	<u>64,166</u>	<u>3,500</u>	<u>124,977</u>
<i>Fund Cash Balance, January 1, Restated</i>	<u>175,000</u>	<u>0</u>	<u>0</u>	<u>175,000</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$232,311</u></u>	<u><u>\$64,166</u></u>	<u><u>\$3,500</u></u>	<u><u>\$299,977</u></u>

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Chagrin Valley Dispatch Council (the Council), Cuyahoga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council operates in accordance with a written agreement establishing the Council pursuant to Ohio Revised Code Chapter 167. A 26-member Board of Trustees directs the Council. Each political subdivision within the Council appoints one member. Those subdivisions are Cities of Bedford, Brecksville, Broadview Heights, Brooklyn, Euclid, Independence, Maple Heights, Seven Hills, and Solon, Townships of Chagrin Falls and South Russell, and Villages of Bentleyville, Bratenahl, Brooklyn Heights, Chagrin Falls, Cuyahoga Heights, Gates Mills, Glenwillow, Highland Hills, Hunting Valley, Moreland Hills, Newburgh Heights, North Randall, Orange, Valley View, and Woodmere. The Council provides emergency dispatch and related IT services.

Related Organizations

The Council is associated with a related organization, the Heights – Hillcrest Communication Center (HHCC). Note 8 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Council's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the general, capital projects, enterprise, internal service and custodial funds.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Council are presented below:

General Fund The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Council had the following significant capital project funds:

CVD Capital Projects Fund This fund accounts for and reports construction and other capital projects financed through the Council.

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

CVD Enterprise Fund This fund accounts for a portion of the member government contributions to the Council.

Chagrin Valley Dispatch Council
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Notes to the Financial Statements
For the Year Ended December 31, 2019

Internal Service Fund This fund accounts for services provided by one department to other departments of the government unit. The Entity had the following Internal Service Fund:

CVD Internal Services Fund The self-funded insurance medical fund accounts for insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

Fiduciary Funds Fiduciary funds include pension and other employee benefit trust funds, private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the statement of receipts, disbursements and changes in fund balances (regulatory cash basis) all proprietary fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Capital Assets

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Council classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Governing Board amends the resolution. Committed fund

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Council Governing Board or an Council official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31 was \$1,306,436. Of these deposits, \$250,000 was insured by the Federal Depository Insurance Corporation, and \$1,056,436 was covered by pooled collateral in accordance with the Ohio Revised Code.

Note 4 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Council pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

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

Employee Insurance

Insurance obtained for the employees include health care through COSE Health and Wellness Trust, and dental, vision and life insurance coverage through Met Life.

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries, and the Council contributed an amount equaling 14% percent of participants' gross salaries. The Council has paid all contributions required through December 31, 2019.

Note 6 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2019.

Note 7 – Debt

Leases

The Council leases two buildings at below market rates. The Council disbursed \$1.50 to pay lease costs for the year ended December 31, 2019.

The 12 year lease of the University Hospitals' Bedford Medical Building executed in 2013 is a 3,548 square foot space provided at the below market annual rate of \$1.00 due to the value of the dispatch services provided by the Council.

See note 9 below for a description of the lease between the Council and the City of Brecksville.

Note 8 – Related Organization

Heights – Hillcrest Communication Center (HHCC) is a Council of Government and Chagrin Valley Dispatch Council is under contract to serve as the project manager, dispatch center manager, provide day to day operations, and IT management services. HHCC pays the Council \$125,000 annually. A five year contract became effective on December 1, 2016. At the end of the five year term, HHCC will join Chagrin Valley Dispatch Council and will dissolve HHCC.

Note 9 – Related Party Transactions

The City of Brecksville is a member organization who built a new Police Station that houses the COG's second Dispatch Center. The premises is exclusively used for providing emergency dispatch services for Brooklyn, Brecksville, Brooklyn Heights, Independence, Broadview heights, Seven Hills, Valley View, Cuyahoga Heights and Newburgh Heights. A lease agreement with the City of Brecksville for the use of the 2,402 square foot space was executed in 2017. The term of the lease is 60 months, with a cost of \$0.50 per year, or \$2.50 for the term of the lease.

Chagrin Valley Dispatch Council
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Restatement of Fund Balance

The Council restated its beginning fund balance at January 1, 2019 as the Council reallocated certain funds from the Agency Fund Clearing Account and the General Fund to the CVD Enterprise Fund to better account for the Brecksville Buildout project. The fund balances were restated as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Agency Fund</u>
Audited Ending Balance, 12/31/18	\$978,565	\$0	\$111,048
Fund Balance Adjustment	(63,952)	175,000	(111,048)
Restated Beginning Balance, 1/1/19	\$914,613	\$175,000	\$0

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Chagrin Valley Dispatch Council
Cuyahoga County
88 Center Street
Bedford, Ohio 44146

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and the related notes to the financial statements of the Chagrin Valley Dispatch Council, Cuyahoga County, Ohio (the Council), and have issued our report thereon dated June 22, 2022, wherein in we noted the Council followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Council and that the Council restated its fund balances at January 1, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Council'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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Council's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 22, 2022

CHAGRIN VALLEY DISPATCH COUNCIL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019

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

Financial Reporting

FINDING NUMBER 2020-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledges its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal controls relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to inadequate internal controls over the financial reporting process, the following misstatements were noted, and adjustments to the financial statements and notes to the financial statements were made accordingly by management:

- In 2019, Charges for Services totaling \$7,254,215 and \$180,786 were improperly classified as Intergovernmental Revenue in the General and Capital Projects Funds, respectively.
- In 2020, Charges for Services totaling \$8,450,895 and \$96,052 were improperly classified as Intergovernmental Revenue in the General and Capital Projects Funds, respectively.
- At December 31, 2020, the Council had a bank account related to a loan for a communications truck that was purchased in 2020. The account had a balance of \$882,059, however, the account and its activity was not included in the books or on the Council's year-end bank reconciliation process. The financial statements were adjusted to include Loans Issued revenue and an increase in ending fund balance in the Debt Service Fund.

Additionally, the following was noted relating to the filing of the Council's financial statements:

- The Council provided bank reconciliations and filed financial statements that included the financial activity of the Heights-Hillcrest Communications Center (the Center). The Center was legally separate from the Council during all of fiscal years 2019 and 2020. The Center's financial activity was shown in a separate fund on the face of the financial statements and within UAN. The financial statements and notes were adjusted to remove the Center's activity.
- The footnotes filed for both years were not updated from the prior audit, and several pertinent notes were missing entirely.

Lack of financial statement review before filing and including activity that should not be included can lead to statements being materially misstated. The Board and management should review financial information on a regular basis for obvious inconsistencies or omissions prior to reports being filed on the Hinkle System.

CHAGRIN VALLEY DISPATCH COUNCIL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019

Official's Response:

Revenues classified as Intergovernmental Revenue instead of Charges for Services:

- We utilized “**intergovernmental revenue**” for the **governmental funds** mainly because it is a shared cost of dispatch expenses derived from all the member communities.
- In the UAN manual, page 250, it does state under revenue code “591” that Intergovernmental receipts that are Non-State and Non-Federal are to be recorded as “**intergovernmental revenue**”.
- The revenues recorded in the **proprietary funds** derived from member communities and non-member communities were recorded as “**charges for services**”. This is mainly due to the fact that amounts received were for profit and not under the primary dispatch contractual setup for dispatch services.
- Our initial setup of UAN in 2019 established all income derived from each governmental entity as “intergovernmental”. A revenue account was established in detail for every political subdivision under the revenue code “intergovernmental” in order to provide more detail reporting.
- The previous accounting system (RITA “SSI”) did not provide an account for every member community. All revenues were placed in one account labeled “**Member Operating Contributions**”.
- Prior to the setup of UAN in January 2019, the previous two “two year audit reports” were “**Agreed Upon Procedures**”. The “**Financial Audit**” for 2017/2018 did not come out until May 19, 2020. Basically, there was not an official financial statement to review or to draw comparisons.
- An argument can be made on the classification on choosing the two types of revenues in question for recording receipts received from other governmental entities. The auditors are correct in their assessment in that the money received is based on a service versus a distribution such as “Local Gov’t Distribution”.
- **Bottom line:** Revenue amounts derived from member communities for dispatch services were recorded accurately in detail in the UAN System. The simple reclassification from “Intergovernmental” to “Charges for Services” for Hinkle Reporting and Financial Presentation is a very simple one. We will begin using “Charges for Services” beginning in Fiscal Year 2022.

Escrow Account – Bank Balance

- The first drawdown from the escrow bank account did not occur until January 8, 2021.
- Two bank accounts (Escrow and Savings) were established after CVD accepted First National Bank’s quote of 2.0% for the financing of the “Mobile Command Unit” and the “Ford Transit”.
- All revenue (loan proceeds) entries were made in UAN in 2021 as the money was being drawn down from the Escrow account.

UAN Accounting for both CVD and HHCC

- Yes they are two separate entities. Based on the fact that both entities utilized similar vendors and were managed by the same person, it made sense to utilize one accounting system with a separate fund solely for HHCC. This was based on the understanding that amounts charged to HHCC and paid by CVD’s bank account were to be reimbursed in the subsequent month.
- There was also an understanding that the two entities were to be consolidated eventually. Finally did happen in 2022.
- The initial bank reconciliations in 2019 were performed collectively as a whole and semi-refined to account for HHCC mainly for its payroll account.
- 2019 revealed items that were noted in the reconciliation of the two entities’ bank balances. Once the reconciliation was refined in 2020, the HHCC reimbursements resulted in less differences.

OHIO AUDITOR OF STATE KEITH FABER



CHAGRIN VALLEY DISPATCH COUNCIL

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/5/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
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