

# **Village of Chagrin Falls**

**Financial Statements  
For the Years Ended December 31, 2012 and 2011**





# Dave Yost • Auditor of State

Village Council  
Village of Chagrin Falls  
21 West Washington Street  
Chagrin Falls, Ohio 44002

We have reviewed the *Independent Auditor's Report* of the Village of Chagrin Falls, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Chagrin Falls is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 11, 2013

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# Village of Chagrin Falls

For the Years Ended December 31, 2012 and 2011

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# Village of Chagrin Falls

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## Independent Auditor's Report

Members of Village Council  
Chagrin Falls, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Ohio (the "Village") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2012 and 2011, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and Street Construction Maintenance and Repair Fund thereof for the years then ended in conformity with the basis of accounting described in Note 2.

Members of Village Council  
Chagrin Falls, Ohio

***Emphasis of Matters***

*Basis of Accounting*

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

*Change in Accounting Principles*

As described in Note 3 to the financial statements, during 2011 the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to that matter.

***Other Matters***

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Management's Discussion and Analysis on pages 3 through 11 includes tables of net position, changes in net position, governmental activities, and business-type activities. These tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. However, these tables are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurances on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2013 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Village's internal control over financial reporting and compliance.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
April 29, 2013

# **Village of Chagrin Falls**

## **Management's Discussion and Analysis**

### **For the Years Ended December 31, 2012 and 2011**

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This discussion and analysis of the Village of Chagrin Falls' (the "Village") financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2012 and December 31, 2011, within the limitations of the Village's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

#### **Highlights**

Key highlights are as follows:

- In 2012, net position of governmental activities increased \$161,893 or 4.66 percent from the prior year. In 2011, net position of governmental activities increased \$122,764, a 3.66 percent change from the prior year. The increases in both 2012 and 2011 are primarily due to the completion of various permanent improvement projects resulting in decreased capital outlay expenditures.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 23 and 40 percent of the total cash received for governmental activities during 2012, and 25 and 41 percent, respectively, of the total cash received for governmental activities during 2011.
- In 2012, net position of proprietary activities decreased \$70,901 or 2.40 percent from the prior year while in 2011, net position of proprietary activities decreased \$429,547 or a 12.78 percent change from the prior year. These variances are primarily due to the water main replacement project that occurred in 2011 and 2012. Additionally, the Village had decreased water and sewer revenue as a result of lower system-wide usage.

#### **Using the Basic Financial Statements**

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

#### **Report Components**

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

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

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

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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#### **Basis of Accounting**

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

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

#### **Reporting the Village as a Whole**

##### *Statement of Net Position and the Statement of Activities*

The Statement of Net Position and the Statement of Activities reflect how the Village did financially during 2012 and 2011, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances of the governmental and business-type activities of the Village at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

- In the Statement of Net Position and the Statement of Activities, we divide the Village into two types of activities:
- Governmental activities: Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
- Business-type activity: The Village has two business-type activities, the provision of water and sanitary sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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#### Reporting the Village's Most Significant Funds

##### *Fund Financial Statements*

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

- **Governmental Funds** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Street Construction Maintenance and Repair, and General Permanent Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.
- **Proprietary Funds** – There are two types of Proprietary Funds: Enterprise Funds and Internal Services Funds.

Enterprise Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sanitary Sewer funds and they are displayed separately in the proprietary fund statements on pages 21 through 22 for 2012 and pages 33 through 34 for 2011.

Internal Service Funds – When the services are provided to assist other departments of the Village, the service is reported as an internal service fund. The Village has one internal service fund to account for the purchase of long lasting capital equipment.

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

A Fiduciary Fund statement is on page 23 for 2012 and page 35 for 2011 of this report.

##### *Other Information*

##### *Notes to the Financial Statements*

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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#### The Village as a Whole

Table 1 provides a summary of the Village's net position for 2012, 2011, and 2010 on a modified cash basis:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,639,478</u>	\$ <u>3,477,585</u>	\$ <u>3,354,821</u>
Total Assets	<u>3,639,478</u>	<u>3,477,585</u>	<u>3,354,821</u>
Net Position:			
Restricted for:			
Debt Service	71,653	223,885	234,672
Capital Project	1,656,482	1,293,116	1,062,635
Permanent fund purpose			
Expendable	16,339	16,339	16,339
Non-expendable	16,082	16,082	16,082
Other Purposes	145,092	161,606	137,340
Unrestricted	<u>1,733,830</u>	<u>1,766,557</u>	<u>1,887,753</u>
Total Net Position	\$ <u><u>3,639,478</u></u>	\$ <u><u>3,477,585</u></u>	\$ <u><u>3,354,821</u></u>
Business-Type Net Position			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,861,813</u>	\$ <u>2,932,714</u>	\$ <u>3,362,261</u>
Total Assets	<u>2,861,813</u>	<u>2,932,714</u>	<u>3,362,261</u>
Net Position:			
Unrestricted	<u>2,861,813</u>	<u>2,932,714</u>	<u>3,362,261</u>
Total Net Position	\$ <u><u>2,861,813</u></u>	\$ <u><u>2,932,714</u></u>	\$ <u><u>3,362,261</u></u>

Net position of governmental activities increased \$161,893 or 4.66 percent during 2012 and increased \$122,764 or 3.66 percent during 2011. The primary reasons contributing to the increase in the cash balance in 2011 were the decreases in capital project expenditures due to the completion of various permanent improvement projects.

Net position of business-type activities decreased \$70,901 or 2.40 percent during 2012 and decreased \$429,547 or 12.78 percent during 2011. These variances are primarily due to the water main replacement project that occurred in 2011 and 2012. Additionally, the Village had decreased water and sewer revenue as a result of lower system-wide usage.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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Table 2 reflects the changes in net position on a modified cash basis in 2012, 2011 and 2010 for governmental activities.

(Table 2)  
Changes in Governmental Net Position

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 1,073,161	\$ 807,930	\$ 852,113
Capital Grants and Special Assessments	<u>194,019</u>	<u>32,249</u>	<u>34,402</u>
Total Program Receipts	<u>1,267,180</u>	<u>840,179</u>	<u>886,515</u>
General Receipts:			
Property Taxes	1,689,431	1,719,128	1,741,404
Municipal Income Taxes	2,931,344	2,848,097	2,529,812
Grants and Entitlements Not Restricted to Specific Programs	1,136,165	1,289,505	1,446,520
Proceeds from Sale of Fixed Assets	-	12,304	432,385
Interest	5,986	5,193	13,373
Miscellaneous	<u>329,830</u>	<u>143,279</u>	<u>195,387</u>
Total General Receipts	<u>6,092,756</u>	<u>6,017,506</u>	<u>6,358,881</u>
Total Receipts	<u>7,359,936</u>	<u>6,857,685</u>	<u>7,245,396</u>
Disbursements:			
General Government	1,172,240	1,449,772	1,155,191
Security of Persons and Property	2,730,399	2,535,712	2,601,252
Public Health Services	438,765	423,327	506,800
Leisure Time Activities	101,279	70,856	73,190
Community Development	229,171	199,241	203,636
Basic Utilities	473,850	369,701	342,523
Transportation	1,435,225	1,062,295	1,735,783
Principal Retirement	537,339	517,339	492,339
Interest and Fiscal Charges	<u>79,775</u>	<u>106,678</u>	<u>131,925</u>
Total Disbursements	<u>7,198,043</u>	<u>6,734,921</u>	<u>7,242,639</u>
Increase in Net Position	161,893	122,764	2,757
Net Position, January 1	<u>3,477,585</u>	<u>3,354,821</u>	<u>3,352,064</u>
Net Position, December 31	\$ <u>3,639,478</u>	\$ <u>3,477,585</u>	\$ <u>3,354,821</u>

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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(Table 2 Continued)  
Changes in Business-Type Net Position

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 2,928,446	\$ 2,704,570	\$ 2,641,032
General Receipts:			
Grants and Entitlements Not Restricted to Specific Programs	45,312	94,999	28,425
Proceeds from Sale of Fixed Assets	-	3,078	-
Interest	4,614	4,806	13,144
Miscellaneous	<u>30,347</u>	<u>-</u>	<u>-</u>
Total General Receipts	<u>80,273</u>	<u>102,883</u>	<u>41,569</u>
Total Receipts	<u>3,008,719</u>	<u>2,807,453</u>	<u>2,682,601</u>
Disbursements:			
Water	1,709,158	1,867,419	1,725,567
Sewer	<u>1,370,462</u>	<u>1,369,581</u>	<u>1,316,679</u>
Total Disbursements	<u>3,079,620</u>	<u>3,237,000</u>	<u>3,042,246</u>
Decrease in Net Position	(70,901)	(429,547)	(359,645)
Net Position, January 1	<u>2,932,714</u>	<u>3,362,261</u>	<u>3,721,906</u>
Net Position, December 31	\$ <u>2,861,813</u>	\$ <u>2,932,714</u>	\$ <u>3,362,261</u>

#### ***Business-Type Activities***

Program receipts of business-type activities represent 97.33 percent in 2012 and 96.34 percent in 2011 of total business-type receipts. They are primarily comprised of charges for services to operate water and sanitary sewer.

General receipts of business-type activities represent 2.67 percent in 2012 and 3.66 percent in 2011 of the Village's total business-type receipts. The general receipts for business-type activities are made of interest, intergovernmental and miscellaneous receipts.

Disbursements for business-type net position include water and sewer. Water is the cost of providing water to residents, and Sewer is the cost of providing sanitary sewer to residents.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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#### *Governmental Activities*

Program receipts of governmental activities represent only 17.22 percent in 2012 and 12.25 percent in 2011 of total governmental receipts. They consisted of monies received from Chagrin Falls Township and the Villages of Bentleyville, Hunting Valley, Moreland Hills, Orange, South Russell and Woodmere for radio contracts and from ambulance service receipts.

General receipts of governmental activities represent 82.78 percent in 2012 and 87.75 percent in 2011. Of the Village's 2012 total governmental receipts, 22.95 percent and 39.83 percent are property and other local taxes and income taxes, respectively. Of the Village's 2011 total governmental receipts, 25.07 percent and 41.53 percent are property and other local taxes and income taxes, respectively. Unrestricted state and federal grants and entitlements, and investment income constitute roughly 15.52 percent of the Village's general receipts during 2012 and roughly 18.88 percent during 2011. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for governmental net position include General Government, which represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, the Chief Administrative Officer, and the Finance Director, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of persons and property are the costs of police and fire protection; public health services are county health department fees, and transportation is the cost of maintaining the roads.

If you look at the Statement of Activities on pages 13 and 25, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and transportation, which account for 37.93 and 19.94 percent of all governmental disbursements in 2012, and 37.65 and 15.77 percent of all government disbursements in 2011, respectively. General government also represents a significant cost, approximately 16.29 percent in 2012 and 21.53 percent in 2011, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
General Government	\$ 1,172,240	\$ (789,969)	\$ 1,449,772	\$ (1,236,314)	\$ 1,155,191	\$ (956,484)
Security of Persons and Property	2,730,399	(2,092,063)	2,535,712	(1,983,005)	2,601,252	(2,105,206)
Public Health Services	438,765	(386,211)	423,327	(381,562)	506,800	(349,440)
Leisure Time Activities	101,279	(101,279)	70,856	(70,856)	73,190	(73,190)
Community Environment	229,171	(229,171)	199,241	(199,241)	203,636	(203,636)
Basic Utilities	473,850	(473,850)	369,701	(369,701)	342,523	(342,523)
Transportation	1,435,225	(1,275,609)	1,062,295	(1,062,295)	1,735,783	(1,735,783)
Principal Retirement	537,339	(502,936)	517,339	(485,090)	492,339	(457,937)
Interest and Fiscal Charges	<u>79,775</u>	<u>(79,775)</u>	<u>106,678</u>	<u>(106,678)</u>	<u>131,925</u>	<u>(131,925)</u>
Total Expenses	\$ <u>7,198,043</u>	\$ <u>(5,930,863)</u>	\$ <u>6,734,921</u>	\$ <u>(5,894,742)</u>	\$ <u>7,242,639</u>	\$ <u>(6,356,124)</u>

The dependence upon property and income tax receipts is apparent as over 62 percent of governmental activities are supported through these general receipts during 2012 and 66 percent during 2011.

### ***Business-Type Activities***

The water and sanitary sewer operations of the Village are supported mainly by the charges for water and sanitary sewer services. The net cost to the Village of the water and sanitary sewer operations was \$70,901 for 2012 and \$429,547 for 2011.

### **The Village's Funds**

In 2012, total governmental funds had receipts of \$8,047,390 and disbursements of \$7,932,788. The greatest change within governmental funds occurred within the General Permanent Improvement Capital Projects Fund. This fund's balance increased \$363,366 as the result of the completion of various permanent improvement projects during the year.

In 2011, total governmental funds had receipts of \$7,701,832 and disbursements of \$7,462,980. The greatest change within governmental funds occurred within the General Permanent Improvement Capital Projects Fund. This fund's balance increased \$230,481 as the result of the completion of various permanent improvement projects during the year.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2012 and 2011

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#### *General Fund Budgeting Highlights*

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012 and 2011, the Village amended its General Fund budget to reflect changing circumstances. In 2012, the difference between final budgeted receipts and actual receipts was favorable; whereas the Village received \$69,749 more than budgeted. There was a favorable variance between the final budgeted expenditures and the actual expenditures, whereas the Village spent \$351,717 less than was budgeted. The result is the decrease in fund balance of \$80,018 for 2012.

In 2011, the difference between final budgeted receipts and actual receipts was favorable; whereas the Village received \$128,183 more than budgeted. There was a favorable variance between the final budgeted expenditures and the actual expenditures, whereas the Village spent \$314,806 less than was budgeted. The result is the decrease in fund balance of \$5,108 for 2012.

#### **Capital Assets and Debt Administration**

##### *Capital Assets*

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

##### *Debt*

At December 31, 2012, the Village's outstanding debt included \$1,110,000 in General Obligation Bonds and \$360,672 in Ohio Public Works Commission interest-free loans. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

#### **Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David Bloom, Finance Director, Village of Chagrin Falls, 21 West Washington Street, Chagrin Falls, Ohio 44022.

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# Village of Chagrin Falls

## Statement of Net Position – Modified Cash Basis

**December 31, 2012**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,639,478</u>	\$ <u>2,861,813</u>	\$ <u>6,501,291</u>
Total Assets	<u>3,639,478</u>	<u>2,861,813</u>	<u>6,501,291</u>
Net Position:			
Restricted for:			
Debt Service	71,653	-	71,653
Capital Projects	1,656,482	-	1,656,482
Permanent Fund Purposes:			
Expendable	16,339	-	16,339
Nonexpendable	16,082	-	16,082
Other Purposes	145,092	-	145,092
Unrestricted	<u>1,733,830</u>	<u>2,861,813</u>	<u>4,595,643</u>
Total Net Position	<u>\$ 3,639,478</u>	<u>\$ 2,861,813</u>	<u>\$ 6,501,291</u>

The accompanying notes are an integral part of these financial statements.

# Village of Chagrin Falls

## Statement of Activities – Modified Cash Basis

### For the Year Ended December 31, 2012

	Cash	<u>Program Cash Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Services Activities</u>	<u>Capital Grants and Special Assessments</u>
Governmental Activities:			
General Government	\$ 1,172,240	\$ 382,271	\$ -
Security of Persons and Property	2,730,399	638,336	-
Public Health Services	438,765	52,554	-
Leisure Time Activities	101,279	-	-
Community Development	229,171	-	-
Basic Utilities	473,850	-	-
Transportation	1,435,225	-	159,616
Principal Retirement	537,339	-	34,403
Interest and Fiscal Charges	79,775	-	-
Total Governmental Activities	<u>7,198,043</u>	<u>1,073,161</u>	<u>194,019</u>
Business-Type Activity:			
Water	1,709,158	1,611,052	-
Sewer	<u>1,370,462</u>	<u>1,317,394</u>	-
Total Business-Type Activities	<u>3,079,620</u>	<u>2,928,446</u>	<u>-</u>
Total	<u>\$ 10,277,663</u>	<u>\$ 4,001,607</u>	<u>\$ 194,019</u>

General Receipts:  
Property Taxes Levied for:  
    General Purposes  
    Debt Service  
Municipal Income Taxes  
Grants and Entitlements  
    not Restricted to Specific Programs  
Interest  
Miscellaneous

Total General Receipts and Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

The accompanying notes are an integral part of these financial statements.

Net (Disbursements) Receipts and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (789,969)	\$ -	\$ (789,969)
(2,092,063)	-	(2,092,063)
(386,211)	-	(386,211)
(101,279)	-	(101,279)
(229,171)	-	(229,171)
(473,850)	-	(473,850)
(1,275,609)	-	(1,275,609)
(502,936)	-	(502,936)
<u>(79,775)</u>	<u>-</u>	<u>(79,775)</u>
<u>(5,930,863)</u>	<u>-</u>	<u>(5,930,863)</u>
-	(98,106)	(98,106)
<u>-</u>	<u>(53,068)</u>	<u>(53,068)</u>
<u>-</u>	<u>(151,174)</u>	<u>(151,174)</u>
<u>(5,930,863)</u>	<u>(151,174)</u>	<u>(6,082,037)</u>
1,233,335	-	1,233,335
456,096	-	456,096
2,931,344	-	2,931,344
1,136,165	45,312	1,181,477
5,986	4,614	10,600
<u>329,830</u>	<u>30,347</u>	<u>360,177</u>
<u>6,092,756</u>	<u>80,273</u>	<u>6,173,029</u>
161,893	(70,901)	90,992
<u>3,477,585</u>	<u>2,932,714</u>	<u>6,410,299</u>
\$ <u><u>3,639,478</u></u>	\$ <u><u>2,861,813</u></u>	\$ <u><u>6,501,291</u></u>

# Village of Chagrin Falls

## Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds

**December 31, 2012**

	<u>General</u>	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,674,755</u>	\$ <u>53,129</u>	\$ <u>1,656,482</u>	\$ <u>150,162</u>	\$ <u>3,534,528</u>
Total Assets	\$ <u>1,674,755</u>	\$ <u>53,129</u>	\$ <u>1,656,482</u>	\$ <u>150,162</u>	\$ <u>3,534,528</u>
<b>Fund Balances</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	53,129	2,448	134,080	189,657
Committed	-	-	1,163,927	-	1,163,927
Assigned	31,569	-	490,107	-	521,676
Unassigned	<u>1,643,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,643,186</u>
Total Fund Balances	\$ <u>1,674,755</u>	\$ <u>53,129</u>	\$ <u>1,656,482</u>	\$ <u>150,162</u>	\$ <u>3,534,528</u>

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

### Reconciliation of Total Governmental Modified Cash Basis Fund Balances to Net Position of Governmental Activities

**December 31, 2012**

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Total Governmental Fund Balances \$ 3,534,528

*Amounts reported for governmental activities in the statement of  
net position are different because*

Governmental activities' net position include the internal service  
funds' cash and cash equivalents. The proprietary funds'  
statements include these assets.

Net Position	\$ 131,188	
Internal Balances	<u>(26,238)</u>	<u>104,950</u>

Net Position of Governmental Activities \$ 3,639,478

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

### Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds

#### **For the Year Ended December 31, 2012**

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Municipal Income Taxes	\$ 2,452,676	\$ 431,485	\$ -	\$ 47,183	\$ 2,931,344
Property and Other Local Taxes	1,233,335	-	-	456,096	1,689,431
Special Assessments	-	-	159,616	34,403	194,019
Charges for Services	932,757	-	-	-	932,757
Fines, Licenses and Permits	93,113	-	-	-	93,113
Intergovernmental	799,699	244,265	-	92,201	1,136,165
Interest	3,627	-	2,287	72	5,986
Miscellaneous	98,939	1,531	182,190	47,170	329,830
Total Receipts	<u>5,614,146</u>	<u>677,281</u>	<u>344,093</u>	<u>677,125</u>	<u>7,312,645</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General Government	1,116,464	-	-	(34,869)	1,081,595
Security of Persons and Property	2,579,918	-	-	57,517	2,637,435
Public Health Services	438,765	-	-	-	438,765
Leisure Time Activities	86,524	-	-	-	86,524
Community Development	227,643	-	-	-	227,643
Basic Utilities	473,850	-	-	-	473,850
Transportation	43,462	816,025	-	159,616	1,019,103
Capital Outlay	135,100	12,111	463,133	-	610,344
<b>Debt Service:</b>					
Principal Retirement	-	-	32,339	505,000	537,339
Interest and Fiscal Charges	-	-	-	79,775	79,775
Total Disbursements	<u>5,101,726</u>	<u>828,136</u>	<u>495,472</u>	<u>767,039</u>	<u>7,192,373</u>
Excess of Receipts Over (Under) Disbursements	<u>512,420</u>	<u>(150,855)</u>	<u>(151,379)</u>	<u>(89,914)</u>	<u>120,272</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	125,000	514,745	-	639,745
Transfers Out	(639,745)	-	-	-	(639,745)
Advances In	75,000	-	-	20,000	95,000
Advances Out	(20,000)	-	-	(75,000)	(95,000)
Other Financing Uses	(5,330)	-	-	(340)	(5,670)
Total Other Financing Sources (Uses)	<u>(590,075)</u>	<u>125,000</u>	<u>514,745</u>	<u>(55,340)</u>	<u>(5,670)</u>
Net Change in Fund Balances	(77,655)	(25,855)	363,366	(145,254)	114,602
Fund Balances, Beginning of Year	<u>1,752,410</u>	<u>78,984</u>	<u>1,293,116</u>	<u>295,416</u>	<u>3,419,926</u>
Fund Balances, End of Year	\$ <u>1,674,755</u>	\$ <u>53,129</u>	\$ <u>1,656,482</u>	\$ <u>150,162</u>	\$ <u>3,534,528</u>

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

Reconciliation of the Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances of Governmental Funds to the Statement of Activities

### **For the Year Ended December 31, 2012**

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Net Change in Fund Balances - Total Governmental Funds \$ 114,602

*Amounts reported for governmental activities in the statement of activities are different because*

Internal service fund used for purchase of long standing capital assets.  
The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).

Change in Net Position	\$ 59,113	
Internal Balances	<u>(11,822)</u>	<u>47,291</u>

Change in Net Position of Governmental Activities \$ 161,893

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

Statement of Receipts, Disbursements, and Changes in Fund Balance –  
Budget and Actual – Budget Basis  
General Fund

**For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Municipal Income Taxes	\$ 2,043,962	\$ 2,420,192	\$ 2,452,676	\$ 32,484
Property and Other Local Taxes	1,027,812	1,217,001	1,233,335	16,334
Charges for Services	777,322	920,403	932,757	12,354
Fines, Licenses and Permits	77,597	91,880	93,113	1,233
Intergovernmental	666,437	789,108	799,699	10,591
Interest	2,773	3,283	3,327	44
Miscellaneous	<u>80,733</u>	<u>95,593</u>	<u>96,876</u>	<u>1,283</u>
Total receipts	<u>4,676,636</u>	<u>5,537,460</u>	<u>5,611,783</u>	<u>74,323</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	1,040,511	1,184,557	1,116,464	68,093
Security of Persons and Property	2,404,407	2,737,267	2,579,918	157,349
Public Health Services	408,916	465,525	438,765	26,760
Leisure Time Activities	80,638	91,801	86,524	5,277
Community Development	212,157	241,527	227,643	13,884
Basic Utilities	441,614	502,750	473,850	28,900
Transportation	40,505	46,113	43,462	2,651
Capital Outlay	<u>124,387</u>	<u>143,340</u>	<u>135,100</u>	<u>8,240</u>
Total Disbursements	<u>4,753,135</u>	<u>5,412,880</u>	<u>5,101,726</u>	<u>311,154</u>
Excess of Receipts Over (Under) Disbursements	<u>(76,499)</u>	<u>124,580</u>	<u>510,057</u>	<u>385,477</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	69,898	79,574	75,000	(4,574)
Advances Out	(18,639)	(21,220)	(20,000)	1,220
Transfers Out	(596,223)	(678,763)	(639,745)	39,018
Other Financing Uses	<u>(4,968)</u>	<u>(5,655)</u>	<u>(5,330)</u>	<u>325</u>
Total Other Financing Sources (Uses)	<u>(549,932)</u>	<u>(626,064)</u>	<u>(590,075)</u>	<u>35,989</u>
Net Change in Fund Balance	(626,431)	(501,484)	(80,018)	421,466
Fund Balance, Beginning of Year	<u>1,708,898</u>	<u>1,708,898</u>	<u>1,708,898</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>1,082,467</u>	\$ <u>1,207,414</u>	\$ <u>1,628,880</u>	\$ <u>421,466</u>

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

Statement of Receipts, Disbursements, and Changes in Fund Balance –  
Budget and Actual – Budget Basis  
Street Construction Maintenance and Repair Fund

**For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Municipal Income Taxes	\$ 423,886	\$ 423,886	\$ 431,485	\$ 7,599
Intergovernmental	239,963	239,963	244,265	4,302
Miscellaneous	<u>1,504</u>	<u>1,504</u>	<u>1,531</u>	<u>27</u>
Total receipts	<u>665,353</u>	<u>665,353</u>	<u>677,281</u>	<u>11,928</u>
Disbursements:				
Current:				
Transportation	918,513	921,326	816,025	105,301
Capital Outlay	<u>13,632</u>	<u>13,674</u>	<u>12,111</u>	<u>1,563</u>
Total Disbursements	<u>932,145</u>	<u>935,000</u>	<u>828,136</u>	<u>106,864</u>
Excess of Receipts Over (Under) Disbursements	(266,792)	(269,647)	(150,855)	118,792
Other Financing Sources (Uses):				
Transfers In	<u>194,647</u>	<u>194,647</u>	<u>125,000</u>	<u>(69,647)</u>
Net Change in Fund Balance	(72,145)	(75,000)	(25,855)	49,145
Fund Balance, Beginning of Year	<u>78,984</u>	<u>78,984</u>	<u>78,984</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>6,839</u></u>	\$ <u><u>3,984</u></u>	\$ <u><u>53,129</u></u>	\$ <u><u>49,145</u></u>

The accompanying notes are an integral part of these financial statements.

# Village of Chagrin Falls

## Statement of Fund Net Position – Modified Cash Basis Proprietary Funds

**December 31, 2012**

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	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,595,367</u>	\$ <u>1,240,208</u>	\$ <u>2,835,575</u>	\$ <u>131,188</u>
Total Assets	<u>1,595,367</u>	<u>1,240,208</u>	<u>2,835,575</u>	<u>131,188</u>
Net Position:				
Unrestricted	<u>1,595,367</u>	<u>1,240,208</u>	<u>2,835,575</u>	<u>131,188</u>
	\$ <u>1,595,367</u>	\$ <u>1,240,208</u>	2,835,575	\$ <u>131,188</u>
Net position reported for Business-Type activities in the statement of net position are different because their share of internal service fund assets included.			<u>26,238</u>	
Net position of Business-Type activities			\$ <u>2,861,813</u>	

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

### Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Net Position – Proprietary Funds

**For the Year Ended December 31, 2012**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,611,052	\$ 1,317,394	\$ 2,928,446	\$ 328,025
Intergovernmental	45,312	-	45,312	-
Other	-	30,312	30,312	357
Total Operating Receipts	<u>1,656,364</u>	<u>1,347,706</u>	<u>3,004,070</u>	<u>328,382</u>
Operating Disbursements:				
Personal Services	411,992	789,668	1,201,660	50,626
Contractual Services	1,110,960	321,713	1,432,673	41,722
Materials and Supplies	37,876	125,312	163,188	131,315
Other	154,206	139,680	293,886	45,606
Total Operating Disbursements	<u>1,715,034</u>	<u>1,376,373</u>	<u>3,091,407</u>	<u>269,269</u>
Operating Income (Loss)	(58,670)	(28,667)	(87,337)	59,113
Non-Operating Receipts:				
Interest	<u>2,647</u>	<u>1,967</u>	<u>4,614</u>	<u>-</u>
Change in Net Position	(56,023)	(26,700)	(82,723)	59,113
Net Position, Beginning of Year	<u>1,651,390</u>	<u>1,266,908</u>		<u>72,075</u>
Net Position, End of Year	\$ <u>1,595,367</u>	\$ <u>1,240,208</u>		\$ <u>131,188</u>
Some amounts reported for Business Type Activities in the statement of activities are different because their share of the change in internal service fund assets are included assets are included.			<u>11,822</u>	
Change in Net Position of Business Type activities			\$ <u>(70,901)</u>	

The accompanying notes are an integral part of these financial statements.

**Village of Chagrin Falls**

Statement of Fiduciary Net Position – Modified Cash Basis  
Fiduciary Fund

**December 31, 2012**

---

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>123,592</u>
Total Assets	\$ <u><u>123,592</u></u>
Net Position:	
Unrestricted	\$ <u><u>123,592</u></u>

The accompanying notes are an integral part of these financial statements.

# Village of Chagrin Falls

## Statement of Net Position – Modified Cash Basis

**December 31, 2011**

---

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,477,585</u>	\$ <u>2,932,714</u>	\$ <u>6,410,299</u>
Total Assets	<u>3,477,585</u>	<u>2,932,714</u>	<u>6,410,299</u>
Net Position:			
Restricted for:			
Debt Service	223,885	-	223,885
Capital Projects	1,293,116	-	1,293,116
Permanent Fund Purposes:			
Expendable	16,339	-	16,339
Nonexpendable	16,082	-	16,082
Other Purposes	161,606	-	161,606
Unrestricted	<u>1,766,557</u>	<u>2,932,714</u>	<u>4,699,271</u>
Total Net Position	<u>\$ <u>3,477,585</u></u>	<u>\$ <u>2,932,714</u></u>	<u>\$ <u>6,410,299</u></u>

The accompanying notes are an integral part of these financial statements.

# Village of Chagrin Falls

Statement of Activities – Modified Cash Basis

**For the Year Ended December 31, 2011**

	Cash Disbursements	Program Cash Receipts	
		Charges for Services Activities	Capital Grants and Special Assessments
Governmental Activities:			
General Government	\$ 1,449,772	\$ 213,458	\$ -
Security of Persons and Property	2,535,712	552,707	-
Public Health Services	423,327	41,765	-
Leisure Time Activities	70,856	-	-
Community Development	199,241	-	-
Basic Utilities	369,701	-	-
Transportation	1,062,295	-	-
Principal Retirement	517,339	-	32,249
Interest and Fiscal Charges	106,678	-	-
Total Governmental Activities	<u>6,734,921</u>	<u>807,930</u>	<u>32,249</u>
Business-Type Activity:			
Water	1,867,419	1,466,752	-
Sewer	<u>1,369,581</u>	<u>1,237,818</u>	-
Total Business-Type Activities	<u>3,237,000</u>	<u>2,704,570</u>	-
Total	\$ <u>9,971,921</u>	\$ <u>3,512,500</u>	\$ <u>32,249</u>

General Receipts:

- Property Taxes Levied for:
  - General Purposes
  - Debt Service
- Municipal Income Taxes
- Grants and Entitlements
  - not Restricted to Specific Programs
- Proceeds from Sale of Fixed Assets
- Interest
- Miscellaneous

Total General Receipts

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

The accompanying notes are an integral part of these financial statements.

---

Net (Disbursements Receipts and Changes in Net Position)

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,236,314)	\$ -	\$ (1,236,314)
(1,983,005)	-	(1,983,005)
(381,562)	-	(381,562)
(70,856)	-	(70,856)
(199,241)	-	(199,241)
(369,701)	-	(369,701)
(1,062,295)	-	(1,062,295)
(485,090)	-	(485,090)
(106,678)	-	(106,678)
<u>(5,894,742)</u>	<u>-</u>	<u>(5,894,742)</u>
-	(400,667)	(400,667)
<u>-</u>	<u>(131,763)</u>	<u>(131,763)</u>
<u>-</u>	<u>(532,430)</u>	<u>(532,430)</u>
<u>(5,894,742)</u>	<u>(532,430)</u>	<u>(6,427,172)</u>
1,274,987	-	1,274,987
444,141	-	444,141
2,848,097	-	2,848,097
1,289,505	94,999	1,384,504
12,304	3,078	15,382
5,193	4,806	9,999
<u>143,279</u>	<u>-</u>	<u>143,279</u>
<u>6,017,506</u>	<u>102,883</u>	<u>6,120,389</u>
122,764	(429,547)	(306,783)
<u>3,354,821</u>	<u>3,362,261</u>	<u>6,717,082</u>
\$ <u>3,477,585</u>	\$ <u>2,932,714</u>	\$ <u>6,410,299</u>

# Village of Chagrin Falls

## Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds

**December 31, 2011**

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	<u>General</u>	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,752,410</u>	\$ <u>78,984</u>	\$ <u>1,293,116</u>	\$ <u>295,416</u>	\$ <u>3,419,926</u>
Total Assets	\$ <u>1,752,410</u>	\$ <u>78,984</u>	\$ <u>1,293,116</u>	\$ <u>295,416</u>	\$ <u>3,419,926</u>
Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	78,984	-	279,334	358,318
Committed	-	-	797,659	-	797,659
Assigned	29,506	-	495,457	-	524,963
Unassigned	<u>1,722,904</u>	-	-	-	<u>1,722,904</u>
Total Fund Balances	\$ <u>1,752,410</u>	\$ <u>78,984</u>	\$ <u>1,293,116</u>	\$ <u>295,416</u>	\$ <u>3,419,926</u>

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

### Reconciliation of Total Governmental Modified Cash Basis Fund Balances to Net Position of Governmental Activities

**December 31, 2011**

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Total Governmental Fund Balances \$ 3,419,926

*Amounts reported for governmental activities in the statement of  
Net Position are different because*

Governmental activities' net position include the internal service  
Funds' cash and cash equivalents. The proprietary funds'  
statements include these assets.

Net Position	\$ 72,075	
Internal Balances	<u>(14,416)</u>	<u>57,659</u>

Net Position of Governmental Activities \$ 3,477,585

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

### Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds

#### **For the Year Ended December 31, 2011**

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Municipal Income Taxes	\$ 2,389,954	\$ 458,143	\$ -	\$ -	\$ 2,848,097
Property and Other Local Taxes	1,229,041	-	-	490,087	1,719,128
Special Assessments	-	-	-	32,249	32,249
Charges for Services	841,560	-	-	-	841,560
Fines, Licenses and Permits	94,762	-	-	-	94,762
Intergovernmental	828,925	306,547	86,305	67,728	1,289,505
Interest	3,241	51	1,779	122	5,193
Miscellaneous	22,588	3,720	64,006	52,965	143,279
Total Receipts	<u>5,410,071</u>	<u>768,461</u>	<u>152,090</u>	<u>643,151</u>	<u>6,973,773</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General Government	1,157,846	-	-	73,689	1,231,535
Security of Persons and Property	2,425,467	-	-	91,981	2,517,448
Public Health Services	423,327	-	-	-	423,327
Leisure Time Activities	70,856	-	-	-	70,856
Community Development	199,241	-	-	-	199,241
Basic Utilities	369,701	-	-	-	369,701
Transportation	22,495	857,861	-	-	880,356
Capital Outlay	29,689	6,522	378,329	-	414,540
<b>Debt Service:</b>					
Principal Retirement	-	-	32,339	485,000	517,339
Interest and Fiscal Charges	-	-	-	106,678	106,678
Total Disbursements	<u>4,698,622</u>	<u>864,383</u>	<u>410,668</u>	<u>757,348</u>	<u>6,731,021</u>
Excess of Receipts Over (Under) Disbursements	<u>711,449</u>	<u>(95,922)</u>	<u>(258,578)</u>	<u>(114,197)</u>	<u>242,752</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	164,000	489,059	-	653,059
Transfers Out	(653,059)	-	-	-	(653,059)
Advances In	-	-	-	75,000	75,000
Advances Out	(75,000)	-	-	-	(75,000)
Other Financing Uses	(3,580)	-	-	(320)	(3,900)
Total Other Financing Sources (Uses)	<u>(731,639)</u>	<u>164,000</u>	<u>489,059</u>	<u>74,680</u>	<u>(3,900)</u>
Net Change in Fund Balances	(20,190)	68,078	230,481	(39,517)	238,852
Fund Balances, Beginning of Year, Restated	<u>1,772,600</u>	<u>10,906</u>	<u>1,062,635</u>	<u>334,933</u>	<u>3,181,074</u>
Fund Balances, End of Year	<u>\$ 1,752,410</u>	<u>\$ 78,984</u>	<u>\$ 1,293,116</u>	<u>\$ 295,416</u>	<u>\$ 3,419,926</u>

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

Reconciliation of the Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances of Governmental Funds to the Statement of Activities

### **For the Year Ended December 31, 2011**

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Net Change in Fund Balances - Total Governmental Funds \$ 238,852

*Amounts reported for governmental activities in the statement of activities are different because*

Internal service fund used for purchase of long standing capital assets.  
The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).

Change in Net Position	\$ (145,110)	
Internal Balances	<u>29,022</u>	<u>(116,088)</u>

Change in Net Position of Governmental Activities \$ 122,764

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

Statement of Receipts, Disbursements, and Changes in Fund Balance –  
Budget and Actual – Budget Basis  
General Fund

### For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Municipal Income Taxes	\$ 2,068,172	\$ 2,333,310	\$ 2,389,954	\$ 56,644
Property and Other Local Taxes	1,063,563	1,199,912	1,229,041	29,129
Charges for Services	728,253	821,614	841,560	19,946
Fines, Licenses and Permits	82,003	92,516	94,762	2,246
Intergovernmental	717,319	809,279	828,925	19,646
Interest	3,000	3,385	3,467	82
Miscellaneous	<u>17,893</u>	<u>20,187</u>	<u>20,677</u>	<u>490</u>
Total receipts	<u>4,680,203</u>	<u>5,280,203</u>	<u>5,408,386</u>	<u>128,183</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	1,121,362	1,207,435	1,141,079	66,356
Security of Persons and Property	2,383,555	2,566,514	2,425,467	141,047
Public Health Services	416,012	447,945	423,327	24,618
Leisure Time Activities	69,632	74,976	70,856	4,120
Community Development	195,798	210,827	199,241	11,586
Basic Utilities	363,313	391,200	369,701	21,499
Transportation	22,106	23,803	22,495	1,308
Capital Outlay	<u>29,196</u>	<u>31,415</u>	<u>29,689</u>	<u>1,726</u>
Total Disbursements	<u>4,600,974</u>	<u>4,954,115</u>	<u>4,681,855</u>	<u>272,260</u>
Excess of Receipts Over (Under) Disbursements	<u>79,229</u>	<u>326,088</u>	<u>726,531</u>	<u>400,443</u>
<b>Other Financing Sources (Uses):</b>				
Advances Out	(73,704)	(79,361)	(75,000)	4,361
Transfers Out	(641,775)	(691,036)	(653,059)	37,977
Other Financing Uses	<u>(3,518)</u>	<u>(3,788)</u>	<u>(3,580)</u>	<u>208</u>
Total Other Financing Sources (Uses)	<u>(718,997)</u>	<u>(774,185)</u>	<u>(731,639)</u>	<u>42,546</u>
Net Change in Fund Balance	(639,768)	(448,097)	(5,108)	442,989
Fund Balance, Beginning of Year	<u>1,714,006</u>	<u>1,714,006</u>	<u>1,714,006</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>1,074,238</u>	\$ <u>1,265,909</u>	\$ <u>1,708,898</u>	\$ <u>442,989</u>

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

Statement of Receipts, Disbursements, and Changes in Fund Balance –  
Budget and Actual – Budget Basis  
Street Construction Maintenance and Repair Fund

**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Municipal Income Taxes	\$ 369,264	\$ 408,363	\$ 458,143	\$ 49,780
Intergovernmental	247,077	273,239	306,547	33,308
Interest	41	45	51	6
Miscellaneous	<u>2,998</u>	<u>3,316</u>	<u>3,720</u>	<u>404</u>
Total receipts	<u>619,380</u>	<u>684,963</u>	<u>768,461</u>	<u>83,498</u>
Disbursements:				
Current:				
Transportation	801,970	921,990	857,861	64,129
Capital Outlay	<u>6,097</u>	<u>7,010</u>	<u>6,522</u>	<u>488</u>
Total Disbursements	<u>808,067</u>	<u>929,000</u>	<u>864,383</u>	<u>64,617</u>
Excess of Receipts Over (Under) Disbursements	(188,687)	(244,037)	(95,922)	148,115
Other Financing Sources (Uses):				
Transfers In	<u>230,619</u>	<u>255,037</u>	<u>164,000</u>	<u>(91,037)</u>
Net Change in Fund Balance	41,932	11,000	68,078	57,078
Fund Balance, Beginning of Year	<u>10,906</u>	<u>10,906</u>	<u>10,906</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>52,838</u>	\$ <u>21,906</u>	\$ <u>78,984</u>	\$ <u>57,078</u>

The accompanying notes are an integral part of these financial statements.

# Village of Chagrin Falls

## Statement of Fund Net Position – Modified Cash Basis Proprietary Funds

**December 31, 2011**

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,651,390</u>	\$ <u>1,266,908</u>	\$ <u>2,918,298</u>	\$ <u>72,075</u>
Total Assets	<u>1,651,390</u>	<u>1,266,908</u>	<u>2,918,298</u>	<u>72,075</u>
Net Position:				
Unrestricted	<u>1,651,390</u>	<u>1,266,908</u>		<u>72,075</u>
	\$ <u>1,651,390</u>	\$ <u>1,266,908</u>		\$ <u>72,075</u>
Net Position reported for Business-Type activities in the statement of net position are different because their share of internal service fund assets and liabilities is included.			<u>14,416</u>	
Net Position of Business-Type activities			\$ <u>2,932,714</u>	

The accompanying notes are an integral part of these financial statements.

## Village of Chagrin Falls

### Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Net Position – Proprietary Funds

**For the Year Ended December 31, 2011**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,466,752	\$ 1,237,818	\$ 2,704,570	\$ 164,720
Intergovernmental	94,999	-	94,999	-
Total Operating Receipts	<u>1,561,751</u>	<u>1,237,818</u>	<u>2,799,569</u>	<u>164,720</u>
Operating Disbursements:				
Personal Services	409,479	815,582	1,225,061	36,186
Contractual Services	1,151,983	365,815	1,517,798	43,890
Materials and Supplies	35,974	131,839	167,813	138,103
Other	253,933	40,295	294,228	107,033
Total Operating Disbursements	<u>1,851,369</u>	<u>1,353,531</u>	<u>3,204,900</u>	<u>325,212</u>
Operating Loss	(289,618)	(115,713)	(405,331)	(160,492)
Non-Operating Receipts:				
Proceeds from Sale of Capital Asset	-	-	-	15,382
Interest	2,761	2,045	4,806	-
Change in Net Position	(286,857)	(113,668)	(400,525)	(145,110)
Net Position, Beginning of Year	<u>1,938,247</u>	<u>1,380,576</u>		<u>217,185</u>
Net Position, End of Year	\$ <u>1,651,390</u>	\$ <u>1,266,908</u>		\$ <u>72,075</u>
Some amounts reported for Business-Type Activities in the statement of activities are different because their share of the change in internal service fund assets are included assets are included.			(29,022)	
Change in Net Position of Business-Type activities			\$ <u>(429,547)</u>	

The accompanying notes are an integral part of these financial statements.

**Village of Chagrin Falls**

Statement of Fiduciary Net Position – Modified Cash Basis  
Fiduciary Fund

**December 31, 2011**

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>99,010</u>
Total Assets	\$ <u><u>99,010</u></u>
Net Position:	
Unrestricted	\$ <u><u>99,010</u></u>

The accompanying notes are an integral part of these financial statements.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2012 and December 31, 2011**

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### **Note 1: Reporting Entity**

The Village of Chagrin Falls, Cuyahoga County, Ohio (the “Village”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village has no joint ventures.

The Village participates in a public entity risk pool and jointly governed organizations. Notes 12 and 14 to the financial statements provide additional information for these entities. The Public Entity Risk Pool is with the Northern Ohio Risk Management Association. The Jointly Governed Organizations are the Northeast Ohio Public Energy Council, Chagrin/Southeast Council, Valley Enforcement Regional Council of Governments, and the Chagrin Valley Dispatch Council.

The financial statements exclude the following entity which performs activities within the Village’s boundaries for the benefit of its residents because the Village is not financially accountable for this entity nor is it fiscally dependent on the Village. The entity is the Chagrin Falls Exempted Village School District.

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2012 and December 31, 2011**

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### **Note 2: Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Village's accounting policies.

#### **A. Basis of Presentation**

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

#### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The statement of net position presents the cash and investment balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **A. Basis of Presentation (continued)**

##### Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non-operating.

#### **B. Fund Accounting**

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

##### Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

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.

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

General Permanent Improvement Fund – The General Permanent Improvement Fund is used to account for grant and Ohio Public Works Commission loan receipts that are restricted for the acquisition or construction of Village capital projects.

The other governmental funds of the Village account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***B. Fund Accounting (continued)***

##### Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village’s major enterprise funds are the water and sewer funds.

Water Fund – The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Internal Service Fund – Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village’s internal service fund is a Revolving Working Equipment fund, which is used to account for the purchase of long lasting capital equipment.

##### Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village maintains two agency funds, the Miscellaneous Deposit and the Paid/Received as Agent funds. The Miscellaneous Deposits fund accounts for the performance deposits provided by contractors for small jobs in the Village. The Paid/Received as Agent fund is used to account for the Village of Moreland Hills’ hydrant maintenance assessment. The assessment is collected by the Village of Chagrin Falls through the submission of water bills to the residents of Moreland Hills.

#### ***C. Basis of Accounting***

The Village’s financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***D. Budgetary Process***

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

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

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

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

##### ***E. Cash and Investments***

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

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

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

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

During 2012 and 2011, the Village invested in nonnegotiable certificates of deposit. All investments are reported at cost.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2012 and December 31, 2011**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***E. Cash and Investments (continued)***

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 and 2011 were \$3,627 and \$3,241 respectively.

#### ***F. Restricted Assets***

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

#### ***G. Inventory and Prepaid Items***

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

Inventories resulting from cash transactions are presented at cost on a first-in, first-out basis and are reported as disbursements when used. Prepaid items are reported as disbursements when consumed.

#### ***H. Capital Assets***

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

#### ***I. Accumulated Leave***

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

#### ***J. Employer Contributions to Cost-Sharing Pension Plans***

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8 the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

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### Note 2: Summary of Significant Accounting Policies (continued)

#### **K. Long-Term Obligations**

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

#### **L. Net Position**

Net Position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for road maintenance and improvements, police operations and cemetery operations.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

#### **M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** The fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizen's public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

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### Note 2: Summary of Significant Accounting Policies (continued)

#### *M. Fund Balance (continued)*

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by state statute.

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

The Village 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.

#### *N. Interfund Transactions*

Interfund transfers are reported as other financing sources/uses in governmental funds.

#### *O. Subsequent Events*

In preparing these financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through April 29, 2013, the date the financial statements were available to be issued.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

### Note 3: Change in Basis of Accounting and Restatement of Fund Balance

#### A. GASB 54

For the year ended December 31, 2011, the Village adopted Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on cash fund balances previously reported:

<u>Fund Balances</u>	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Fund Balance, December 31, 2010	\$ 1,714,006	\$ 10,906	\$ 1,062,635	\$ 393,527	\$ 3,181,074
Adjustment for Change in Fund Structure	<u>58,594</u>	<u>-</u>	<u>-</u>	<u>(58,594)</u>	<u>-</u>
Fund Balance, January 1, 2011	\$ <u>1,772,600</u>	\$ <u>10,906</u>	\$ <u>1,062,635</u>	\$ <u>334,933</u>	\$ <u>3,181,074</u>

#### B. GASB 62

For the year ended December 31, 2011, the Village early implemented Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature.

#### B. GASB 63

For the year ended December 31, 2011, the Village early implemented Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village's 2011 financial statements; however there was no effect on beginning net position/fund balance.

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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#### **Note 4: Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

#### **Note 4: Deposits and Investments (continued)**

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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

#### **Deposits**

*Custodial credit risk* is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits.

The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution. At December 31, 2012 and 2011, the Village had book balances of \$6,624,883 and \$6,509,309 respectively. Of the Village's 2012 bank balance of \$6,698,735, \$4,954,005 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name. Of the Village's 2011 bank balance of \$6,620,195, \$4,703,436 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

#### **Investments**

As of December 31, 2012 and December 31, 2011, the Village had only cash and cash equivalents.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

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### Note 5: Income Taxes

The Village levies a 1.5 percent income tax whose proceeds are placed into the General and the Street Construction Maintenance and Repair Funds. The Village levies and collects the tax on all income earned within the Village as well as on the incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 0.75 percent of the 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

### Note 6: Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received in 2011 (2012) for real and public utility property taxes represents collections of the 2010 (2011) taxes.

2011 (2012) real property taxes are levied after October 1, 2010 (2011) on the assessed values as of January 1, 2010 (2011), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 (2012) public utility property taxes which became a lien on December 31, 2010 (2011), are levied after October 1, 2010 (2011), and are collected in 2012 (2013) with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011 (2012), was \$11.20 (11.20) per \$1,000 of assessed value. The assessed values of real and personal property upon which 2011 (2012) property tax receipts were based are as follows:

	<u>2012</u>	<u>2011</u>
Real Property:		
Residential/Agricultural	\$ 147,504,190	\$ 146,552,970
Commercial/Industrial/Mineral	28,091,590	28,509,390
Tangible Personal Property:		
Public Utility	<u>1,637,700</u>	<u>1,532,230</u>
Total Assessed Value	<u>\$ 177,233,480</u>	<u>\$ 176,594,590</u>

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2012 and December 31, 2011**

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### **Note 7: Defined Benefit Pension Plans**

#### **A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 and 2011, the members and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For the years ended December 31, 2012 and 2011, the members in state and local classifications of all three plans were required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer contribution rate for state and local employers for both 2012 and 2011 was 14 percent of covered payroll.

The Village's required contributions for pension obligations, excluding healthcare, to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$234,560, \$207,306, and \$197,231 respectively; 91.36 percent has been contributed for 2012 and 100 percent for 2011 and 2010. The Village made no contributions to the member-directed plan for 2012 or 2011.

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

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2012 and December 31, 2011**

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### **Note 7: Defined Benefit Pension Plans (continued)**

#### ***B. Ohio Police and Fire Pension Fund (continued)***

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 and 24 percent respectively for police officers and firefighters. The Village's contributions to OP&F, excluding healthcare, for the years ended December 31, 2012, 2011, and 2010 were \$110,734, \$105,323, and \$99,388. The full amount has been contributed for years 2010 and 2011, and 76 percent has been contributed for 2012.

### **Note 8: Postemployment Benefits**

#### ***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan (TP) – a cost-sharing, multiple-employer defined benefit plan; the member-directed plan (MD) – a defined contribution plan; and the combined plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare coverage.

In order to qualify for postemployment healthcare coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 227 E. Town St., Columbus, Ohio 43215-4642, or by calling (614)222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement healthcare. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 and 2011, the Village contributed at 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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#### **Note 8: Postemployment Benefits (continued)**

##### **A. Ohio Public Employees Retirement System (continued)**

OPERS' Postemployment Healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The portion of employer contributions allocated to healthcare for members in the Traditional Plan was 4 percent during calendar year 2012. The portion of employer contributions allocated to healthcare for members in the Combined Plan was 6.05 percent during calendar years 2011 and 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the healthcare benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for healthcare for the years ended 2012, 2011 and 2010 were \$93,824, \$82,922 and \$112,127, respectively; 91.36 percent has been contributed for 2012 and 100 percent for 2011 and 2010.

Changes to the healthcare plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved healthcare changes OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the healthcare fund after the end of the transition period.

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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#### **Note 8: Postemployment Benefits (continued)**

##### ***B. Ohio Police and Fire Pension Fund (continued)***

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the years ended December 31, 2012 and 2011, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The Village's contributions to OP&F for the years ended December 31, 2012, 2011 and 2010 were \$58,584, \$55,721, \$52,581, for police respectively. The full amount has been contributed for 2011 and 2010. For 2012, 76 percent has been contributed.

## Village of Chagrin Falls

Notes to the Financial Statements

### For the Years Ended December 31, 2012 and December 31, 2011

#### Note 9: Debt

The original issue date, interest rates, and original issuance amount for each of the Village's long-term debt is as follows:

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Amount of Original Issuance</u>
<b>Special Assessment Bonds:</b>			
Hickory Hill Sewers	1992	6.030%	\$ 250,000
<b>General Obligation Bonds:</b>			
Advance Refunding Bonds	1998	6.400%	2,775,000
Streetscape Bonds	2003	2 - 4.625%	2,400,000
<b>Ohio Public Works Commission Loans:</b>			
Ridgewood Road / Bell Street Sanitary Sewer Rehabilitation	1998	0.000%	282,274
West Washington Street Watermain Replacement	2003	0.000%	106,500
Falls Road Water System Improvements	2004	0.000%	258,000
WWTP Renovation	2008	0.000%	92,090

The Village's long-term debt activity for the years ended December 31, 2012 and 2011, was as follows:

<u>December 31, 2012</u>	<u>Debt Outstanding 12/31/2011</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2012</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Advance Refunding Bonds	\$ 325,000	\$ -	\$ 325,000	\$ -	\$ -
Streetscape Bonds	<u>1,270,000</u>	<u>-</u>	<u>160,000</u>	<u>1,110,000</u>	<u>170,000</u>
Total General Obligation Bonds	<u>1,595,000</u>	<u>-</u>	<u>485,000</u>	<u>1,110,000</u>	<u>170,000</u>
<i>Special Assessment Bonds:</i>					
Hickory Hill Sewers	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	98,795	-	14,114	84,681	14,114
West Washington Watermain Replacement	63,900	-	5,325	58,575	5,325
Falls Road Water System Improvement	<u>161,250</u>	<u>-</u>	<u>12,900</u>	<u>148,350</u>	<u>12,900</u>
Total Ohio Public Works Commission	<u>323,945</u>	<u>-</u>	<u>32,339</u>	<u>291,606</u>	<u>32,339</u>
Total Governmental Activities	<u>1,938,945</u>	<u>-</u>	<u>537,339</u>	<u>1,401,606</u>	<u>202,339</u>

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

### Note 9: Debt (continued)

<u>December 31, 2012</u>	<u>Debt Outstanding 12/31/2011</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2012</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
<i>Ohio Public Works Commission Loan:</i>					
WWTP Renovation	73,671	-	4,605	69,066	4,605
Total Village	\$ 2,012,616	\$ -	\$ 541,944	\$ 1,470,672	\$ 206,944

<u>December 31, 2011</u>	<u>Debt Outstanding 12/31/2010</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Advance Refunding Bonds	\$ 635,000	\$ -	\$ 310,000	\$ 325,000	\$ 325,000
Streetscape Bonds	1,425,000	-	155,000	1,270,000	160,000
Total General Obligation Bonds	2,060,000	-	465,000	1,595,000	485,000
<i>Special Assessment Bonds:</i>					
Hickory Hill Sewers	40,000	-	20,000	20,000	20,000
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	112,909	-	14,114	98,795	14,114
West Washington Watermain Replacement	69,225	-	5,325	63,900	5,325
Falls Road Water System Improvement	174,150	-	12,900	161,250	12,900
Total Ohio Public Works Commission	356,284	-	32,339	323,945	32,339
Total Governmental Activities	2,456,284	-	517,339	1,938,945	537,339

### Business-Type Activities:

<i>Ohio Public Works Commission Loan:</i>					
WWTP Renovation	78,275	-	4,605	73,671	4,605
Total Village	\$ 2,534,559	\$ -	\$ 521,944	\$ 2,012,616	\$ 541,944

The Ohio Public Works Commission (OPWC) loans relate to road and sewer rehabilitation projects. These loans are interest free. The 1998 Ridgewood Road / Bell Street Sanitary Sewer Rehabilitation OPWC loan was for \$282,274 and will be repaid in semiannual installments of \$7,057 over 20 years. The 2003 West Washington Street Watermain Replacement OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. The 2004 Falls Road Water System Improvements OPWC loan was for \$258,000 and will be repaid in semiannual installments of \$6,450 over 20 years. The 2008 WWTP Renovations OPWC loan was for \$92,090 and will be repaid in semiannual installments of \$2,302 over 20 years. The 2003 General Obligation Bonds are being used for the streetscape capital improvement project. The 1998 Advance Refunding General Obligation Bonds were used for Village wastewater treatment plant improvements and were fully repaid in 2012. The 1992 Special Assessment bond was used for sanitary sewer improvements and was fully repaid in 2012.

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Years Ended December 31, 2012 and December 31, 2011

#### Note 9: Debt (continued)

The following is a summary of the Village's future annual debt service requirements:

Year	Streetscape 2003 G.O. Bonds		OPWC	Total	
	Principal	Interest	Loans Principal	Principal	Interest
2013	\$ 170,000	\$ 51,126	\$ 36,944	\$ 206,944	\$ 51,126
2014	175,000	43,476	36,944	211,944	43,476
2015	180,000	35,382	36,944	216,944	35,382
2016	185,000	27,056	36,944	221,944	27,056
2017	195,000	18,500	36,944	231,944	18,500
2018-2022	205,000	9,482	128,257	333,257	9,482
2023-2027	-	-	47,695	47,695	-
Total	\$ <u>1,110,000</u>	\$ <u>185,022</u>	\$ <u>360,672</u>	\$ <u>1,470,672</u>	\$ <u>185,022</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012, were an overall debt margin of \$17,571,168 and an unvoted debt margin of \$9,676,188. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$17,171,317 and an unvoted debt margin of \$9,488,817.

#### Note 10: Interfund Transfers

During 2011, the Village transferred \$164,000 to the Street Construction Maintenance and Repair Fund from the General Fund. The Village also transferred \$489,059 to the General Permanent Improvement Fund from the General Fund. Both transfers were in accordance with budgetary authorizations.

During 2012, the Village transferred \$125,000 to the Street Construction Maintenance and Repair Fund from the General Fund. The Village also transferred \$514,745 to the General Permanent Improvement Fund from the General Fund. Both transfers were in accordance with budgetary authorizations.

#### Note 11: Contingent Liabilities

The Village is party to legal proceedings. Village management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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#### **Note 12: Risk Management**

##### **A. *Property and Liability***

The Northern Ohio Risk Management Association (NORMA) is a risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights, and the Village of Chagrin Falls, 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 remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993, and the City of University Heights, whose commencement date is October 1, 2008. After the initial three years, each member may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the municipality's 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 \$100,000 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 years ended December 31, 2012 and December 31, 2011, the Village paid \$63,327 and \$53,248, respectively, in premiums to NORMA from the general fund. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5561 Perkins Road, Bedford Heights, Ohio 44146.

##### **B. *Worker's Compensation***

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

#### **Note 13: Engineering Services**

The Village contracted with CT Consultants to provide services in connection with the Construction of public improvements. The Village Engineer is an employee of CT Consultants. The Village paid \$330,490 and \$211,380 during 2012 and 2011, respectively.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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#### **Note 14: Jointly Governed Organizations**

##### ***A. Northeast Ohio Public Energy Council***

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 160 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2011 or 2012. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Solon, Ohio 44139.

##### ***B. Chagrin/Southeast Council of Governments***

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team. The team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. During 2011 and 2012, the Village contributed \$3,500 and \$3,500, respectively, to the organization. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the City of Bedford Heights, Ohio.

The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team.

##### ***C. Valley Enforcement Regional Council of Governments***

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of 16 communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2012 and December 31, 2011**

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#### **Note 14: Jointly Governed Organizations (continued)**

##### ***C. Valley Enforcement Regional Council of Governments (continued)***

VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2011 and 2012, the Village paid \$7,000 and \$7,000, respectively, to VERCOG.

##### ***D. Chagrin Valley Dispatch Council***

The Village is a member of the Chagrin Valley Dispatch Council (“CVD”). CVD is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (“RCC”). Participation in CVD is initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of eight communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept an raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2011 and 2012, the Village contributed \$25,000 and \$243,080, respectively, to the CVD.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2012 and December 31, 2011

### Note 15: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. In 2012, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Cemetery Endowment	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted for:					
Road Maintenance and Improvements	-	53,129	-	-	53,129
Police Operations	-	-	-	20,854	20,854
Police and Fire Pension	-	-	-	2,392	2,392
Parks Maintenance	-	-	-	14,406	14,406
Issue II Projects	-	-	2,448	-	2,448
Cemetery	-	-	-	16,339	16,339
Debt Service	-	-	-	80,089	80,089
Total Restricted	<u>-</u>	<u>53,129</u>	<u>2,448</u>	<u>134,080</u>	<u>189,657</u>
Committed to:					
Construction of Various Projects	-	-	1,137,329	-	1,137,329
Wastewater Treatment	-	-	26,598	-	26,598
Total Committed	<u>-</u>	<u>-</u>	<u>1,163,927</u>	<u>-</u>	<u>1,163,927</u>
Assigned to:					
Construction of Various Projects	-	-	490,107	-	490,107
Earned Interest	64	-	-	-	64
Giles Foundation	31,505	-	-	-	31,505
Total Committed	<u>31,569</u>	<u>-</u>	<u>490,107</u>	<u>-</u>	<u>521,676</u>
Unassigned	<u>1,643,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,643,186</u>
Total Fund Balances, December 31	\$ <u>1,674,755</u>	\$ <u>53,129</u>	\$ <u>1,656,482</u>	\$ <u>150,162</u>	\$ <u>3,534,528</u>

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Years Ended December 31, 2012 and December 31, 2011

#### Note 15: Fund Balance (continued)

In 2011, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Cemetery Endowment	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted for:					
Road Maintenance and Improvements	-	78,984	-	-	78,984
Police Operations	-	-	-	19,625	19,625
Police and Fire Pension	-	-	-	3,630	3,630
Parks Maintenance	-	-	-	14,406	14,406
Cemetery	-	-	-	16,339	16,339
Debt Service	-	-	-	225,334	225,334
Total Restricted	<u>-</u>	<u>78,984</u>	<u>-</u>	<u>279,334</u>	<u>358,318</u>
Committed to:					
Construction of Various Projects	-	-	771,061	-	771,061
Wastewater Treatment	-	-	26,598	-	26,598
Total Committed	<u>-</u>	<u>-</u>	<u>797,659</u>	<u>-</u>	<u>797,659</u>
Assigned to:					
Construction of Various Projects	-	-	495,457	-	495,457
Earned Interest	1	-	-	-	1
Giles Foundation	29,505	-	-	-	29,505
Total Committed	<u>29,506</u>	<u>-</u>	<u>495,457</u>	<u>-</u>	<u>524,963</u>
Unassigned	<u>1,722,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,722,904</u>
Total Fund Balances, December 31	\$ <u>1,752,410</u>	\$ <u>78,984</u>	\$ <u>1,293,116</u>	\$ <u>295,416</u>	\$ <u>3,419,926</u>

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of Village Council  
Chagrin Falls, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Ohio (the "Village") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 29, 2013, wherein we noted the Village uses the modified cash basis of accounting and adopted Governmental Accounting Standards Board Statements No. 54, 62 and 63.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the Village Council  
Chagrin Falls, Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
April 29, 2013



# Dave Yost • Auditor of State

**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  
JUNE 25, 2013**