



Dave Yost • Auditor of State



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

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VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***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, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, 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 preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the 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 opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Street Construction Maintenance and Repair funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matter**

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-11 of the report, and accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 27, 2015

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2014 and 2013

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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, 2014 and December 31, 2013, within the limitations of the Village's 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 2014, net position of governmental activities increased \$155,893 or 4.52 percent from the prior year. In 2013, net position of governmental activities decreased \$188,126, a 5.17 percent change from the prior year. The net position variances in 2014 and 2013 are related primarily to the progress of various permanent improvement projects. In 2013, there were multiple projects ongoing which resulted in a significant increase of capital outlay expenditures. In 2014, these projects were completed or near completion which resulted in a significant decrease of capital outlay expenditures.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 21 and 43 percent of the total cash received for governmental activities during 2014, and 21 and 43 percent, respectively, of the total cash received for governmental activities during 2013.
- In 2014, net position of proprietary activities decreased \$256,314 or 11.5 percent from the prior year while in 2013, net position of proprietary activities decreased \$635,489 or a 22.20 percent change from the prior year. These variances are primarily due to water main replacement projects that occurred in 2013 and 2014.

#### 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 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, 2014 and 2013

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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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2014 and 2013, within the limitations of 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 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, 2014 and 2013

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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 22 through 23 for 2014 and pages 34 through 35 for 2013.

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 24 for 2014 and page 36 for 2013 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, 2014 and 2013

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#### The Village as a Whole

Table 1 provides a summary of the Village's net position for 2014, 2013, and 2012 on a cash basis:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,607,245</u>	\$ <u>3,451,352</u>	\$ <u>3,639,478</u>
Total Assets	<u>3,607,245</u>	<u>3,451,352</u>	<u>3,639,478</u>
Net Position:			
Restricted for:			
Debt Service	85,363	76,983	71,653
Capital Project	1,285,851	1,394,732	1,656,482
Permanent fund purpose			
Expendable	16,339	16,339	16,339
Non-expendable	16,082	16,082	16,082
Other Purposes	222,959	201,818	145,092
Unrestricted	<u>1,980,651</u>	<u>1,745,398</u>	<u>1,733,830</u>
Total Net Position	\$ <u><u>3,607,245</u></u>	\$ <u><u>3,451,352</u></u>	\$ <u><u>3,639,478</u></u>
Business-Type Net Position			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,970,010</u>	\$ <u>2,226,324</u>	\$ <u>2,861,813</u>
Total Assets	<u>1,970,010</u>	<u>2,226,324</u>	<u>2,861,813</u>
Net Position:			
Unrestricted	<u>1,970,010</u>	<u>2,226,324</u>	<u>2,861,813</u>
Total Net Position	\$ <u><u>1,970,010</u></u>	\$ <u><u>2,226,324</u></u>	\$ <u><u>2,861,813</u></u>

Net position of governmental activities increased \$155,893 or 4.52 percent during 2014 and decreased \$188,126 or 5.17 percent during 2013. The primary reason contributing to the decrease in the cash balance in 2013 was the increases in capital project expenditures related to the progress of various permanent improvement projects. In 2014, these projects were completed or near completion which caused capital project expenditures to decrease causing an increase in the 2014 cash balance.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2014 and 2013

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Net position of business-type activities decreased \$256,314 or 11.5 percent during 2014 and decreased \$635,489 or 22.20 percent during 2013. These variances are primarily due to water main replacement projects that occurred in 2013 and 2014.

Table 2 reflects the changes in net position on a cash basis in 2014, 2013 and 2012 for governmental activities.

(Table 2)  
Changes in Governmental Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 1,500,936	\$ 1,119,613	\$ 1,073,161
Capital Grants and Special Assessments	<u>10,071</u>	<u>10,821</u>	<u>194,019</u>
Total Program Receipts	<u>1,511,007</u>	<u>1,130,434</u>	<u>1,267,180</u>
General Receipts:			
Property Taxes	1,534,506	1,530,612	1,689,431
Municipal Income Taxes	3,163,460	3,142,853	2,931,344
Grants and Entitlements Not Restricted to Specific Programs	866,621	1,330,621	1,136,165
Proceeds from Sale of Fixed Assets	8,234	-	-
Earnings on Investments	7,495	8,783	5,986
Miscellaneous	<u>197,488</u>	<u>226,000</u>	<u>329,830</u>
Total General Receipts	<u>5,777,804</u>	<u>6,238,869</u>	<u>6,092,756</u>
Total Receipts	<u>7,288,811</u>	<u>7,369,303</u>	<u>7,359,936</u>
Disbursements:			
General Government	1,257,777	1,636,462	1,172,240
Security of Persons and Property	3,167,419	2,762,706	2,730,399
Public Health Services	489,131	456,765	438,765
Leisure Time Activities	86,078	87,590	101,279
Community Development	200,998	202,683	229,171
Basic Utilities	273,077	402,917	473,850
Transportation	1,408,435	1,754,735	1,435,225
Principal Retirement	220,339	202,339	537,339
Interest and Fiscal Charges	<u>29,664</u>	<u>51,232</u>	<u>79,775</u>
Total Disbursements	<u>7,132,918</u>	<u>7,557,429</u>	<u>7,198,043</u>
Change in Net Position	155,893	(188,126)	161,893
Net Position, January 1	<u>3,451,352</u>	<u>3,639,478</u>	<u>3,477,585</u>
Net Position, December 31	\$ <u>3,607,245</u>	\$ <u>3,451,352</u>	\$ <u>3,639,478</u>

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2014 and 2013

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 2,807,560	\$ 2,796,884	\$ 2,928,446
Capital Grants and Special Assessments	<u>-</u>	<u>691,616</u>	<u>-</u>
Total Program Receipts	<u>2,807,560</u>	<u>3,488,500</u>	<u>2,928,446</u>
General Receipts:			
Grants and Entitlements Not Restricted to Specific Programs	84,686	-	45,312
Proceeds from Sale of Fixed Assets	816	-	-
Earnings on Investments	-	-	4,614
Miscellaneous	<u>8,092</u>	<u>30,888</u>	<u>30,347</u>
Total General Receipts	<u>93,594</u>	<u>30,888</u>	<u>80,273</u>
Total Receipts	<u>2,901,154</u>	<u>3,519,388</u>	<u>3,008,719</u>
Disbursements:			
Water	1,907,253	2,771,452	1,709,158
Sewer	<u>1,250,215</u>	<u>1,383,425</u>	<u>1,370,462</u>
Total Disbursements	<u>3,157,468</u>	<u>4,154,877</u>	<u>3,079,620</u>
Decrease in Net Position	(256,314)	(635,489)	(70,901)
Net Position, January 1	<u>2,226,324</u>	<u>2,861,813</u>	<u>2,932,714</u>
Net Position, December 31	\$ <u>1,970,010</u>	\$ <u>2,226,324</u>	\$ <u>2,861,813</u>

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

Program receipts of business-type activities represent 96.77 percent in 2014 and 99.12 percent in 2013 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 3.23 percent in 2014 and .88 percent in 2013 of the Village's total business-type receipts. The general receipts for business-type activities are made of interest, intergovernmental and miscellaneous receipts. In 2013, the Village received \$691,616 in OPWC reimbursement funds related to the Solon Road Water main project, causing for a larger percentage of revenue relating to general 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, 2014 and 2013

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#### *Governmental Activities*

Program receipts of governmental activities represent only 20.73 percent in 2014 and 15.34 percent in 2013 of total governmental receipts. They consisted of monies received from Chagrin Falls Township and the Villages of Bentleyville, Gates Mills, Highland Hills, Hunting Valley, Moreland Hills, North Randall, Orange, South Russell and Woodmere for radio contracts and from ambulance service receipts.

General receipts of governmental activities represent 79.27 percent in 2014 and 84.66 percent in 2013. Of the Village's 2014 total governmental receipts, 21.05 percent and 43.40 percent are property and other local taxes and income taxes, respectively. Of the Village's 2013 total governmental receipts, 20.77 percent and 42.65 percent are property and other local taxes and income taxes, respectively. Unrestricted state and federal grants and entitlements, and investment income constitute 11.99 percent of the Village's general receipts during 2014 and roughly 18.18 percent during 2013. 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 14 and 26, 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 44.41 and 19.75 percent of all governmental disbursements in 2014, and 36.56 and 23.22 percent of all government disbursements in 2013, respectively. General government also represents a significant cost, approximately 17.63 percent in 2014 and 21.65 percent in 2013, 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, 2014 and 2013

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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>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
General Government	\$ 1,257,777	\$ (660,114)	\$ 1,636,462	\$ (1,217,946)	\$ 1,172,240	\$ (789,969)
Security of Persons and Property	3,167,419	(2,334,916)	2,762,706	(2,106,169)	2,730,399	(2,092,063)
Public Health Services	489,131	(418,361)	456,765	(412,205)	438,765	(386,211)
Leisure Time Activities	86,078	(86,078)	87,590	(87,590)	101,279	(101,279)
Community Environment	200,998	(200,998)	202,683	(202,683)	229,171	(229,171)
Basic Utilities	273,077	(273,077)	402,917	(402,917)	473,850	(473,850)
Transportation	1,408,435	(1,398,364)	1,754,735	(1,743,914)	1,435,225	(1,275,609)
Principal Retirement	220,339	(220,339)	202,339	(202,339)	537,339	(502,936)
Interest and Fiscal Charges	29,664	(29,664)	51,232	(51,232)	79,775	(79,775)
Total Expenses	\$ <u>7,132,918</u>	\$ <u>(5,621,911)</u>	\$ <u>7,557,429</u>	\$ <u>(6,426,995)</u>	\$ <u>7,198,043</u>	\$ <u>(5,930,863)</u>

The dependence upon property and income tax receipts is apparent as over 79 percent of governmental activities are supported through these general receipts during 2014 and 85 percent during 2013.

### ***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 \$256,314 for 2014 and \$635,489 for 2013.

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

In 2014, total governmental funds had receipts of \$7,204,210 and disbursements of \$7,155,566. The greatest change within governmental funds occurred within the General Permanent Improvement Capital Projects Fund. This fund's balance decreased \$108,881 as the result of a decrease in capital improvement revenues received in 2014.

In 2013, total governmental funds had receipts of \$7,329,511 and disbursements of \$7,553,943. The greatest change within governmental funds occurred within the General Permanent Improvement Capital Projects Fund. This fund's balance decreased \$261,750 as the result of an increase capital outlay expenditures for various permanent improvement projects in progress during the year.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2014 and 2013

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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 2014 and 2013, the Village amended its General Fund budget to reflect changing circumstances. In 2014, the difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was favorable; whereas the Village received \$174,915 more than budgeted. There was a favorable variance between the final budgeted expenditures and other financing uses and the actual expenditures and other financing uses, whereas the Village spent \$403,298 less than was budgeted. The result is an increase in fund balance of \$155,624 for 2014.

In 2013, the difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was favorable; whereas the Village received \$131,506 more than budgeted. There was a favorable variance between the final budgeted expenditures and other financing uses and the actual expenditures and other financing uses, whereas the Village spent \$352,654 less than was budgeted. The result is the decrease in fund balance of \$28,224 for 2014.

#### **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, 2014, the Village's outstanding debt included \$752,000 in General Obligation Bonds and \$286,783 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 – Cash Basis

**December 31, 2014**

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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>3,607,245</u>	\$ <u>1,970,010</u>	\$ <u>5,577,255</u>
Total Assets	<u>3,607,245</u>	<u>1,970,010</u>	<u>5,577,255</u>
Net Position:			
Restricted for:			
Debt Service	85,363	-	85,363
Capital Projects	1,285,851	-	1,285,851
Permanent Fund Purposes:			
Expendable	16,339	-	16,339
Nonexpendable	16,082	-	16,082
Other Purposes	222,959	-	222,959
Unrestricted	<u>1,980,651</u>	<u>1,970,010</u>	<u>3,950,661</u>
Total Net Position	\$ <u><u>3,607,245</u></u>	\$ <u><u>1,970,010</u></u>	\$ <u><u>5,577,255</u></u>

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

# Village of Chagrin Falls

## Statement of Activities – Cash Basis

### For the Year Ended December 31, 2014

	Cash Disbursements	Program Cash Receipts	
		Charges for Services Activities	Capital Grants and Special Assessments
Governmental Activities:			
General Government	\$ 1,257,777	\$ 597,663	\$ -
Security of Persons and Property	3,167,419	832,503	-
Public Health Services	489,131	70,770	-
Leisure Time Activities	86,078	-	-
Community Development	200,998	-	-
Basic Utilities	273,077	-	-
Transportation	1,408,435	-	10,071
Principal Retirement	220,339	-	-
Interest and Fiscal Charges	29,664	-	-
Total Governmental Activities	<u>7,132,918</u>	<u>1,500,936</u>	<u>10,071</u>
Business-Type Activity:			
Water	1,907,253	1,536,102	-
Sewer	<u>1,250,215</u>	<u>1,271,458</u>	-
Total Business-Type Activities	<u>3,157,468</u>	<u>2,807,560</u>	-
Total	\$ <u>10,290,386</u>	\$ <u>4,308,496</u>	\$ <u>10,071</u>

General Receipts:  
 Property Taxes Levied for:  
   General Purposes  
   Debt Service  
 Municipal Income Taxes  
 Grants and Entitlements  
   not Restricted to Specific Programs  
 Earnings on Investments  
 Proceeds from Sale of Fixed Assets  
 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>
\$ (660,114)	\$ -	\$ (660,114)
(2,334,916)	-	(2,334,916)
(418,361)	-	(418,361)
(86,078)	-	(86,078)
(200,998)	-	(200,998)
(273,077)	-	(273,077)
(1,398,364)	-	(1,398,364)
(220,339)	-	(220,339)
<u>(29,664)</u>	<u>-</u>	<u>(29,664)</u>
<u>(5,621,911)</u>	<u>-</u>	<u>(5,621,911)</u>
-	(371,151)	(371,151)
<u>-</u>	<u>21,243</u>	<u>21,243</u>
<u>-</u>	<u>(349,908)</u>	<u>(349,908)</u>
<u>(5,621,911)</u>	<u>(349,908)</u>	<u>(5,971,819)</u>
1,334,075	-	1,334,075
200,431	-	200,431
3,163,460	-	3,163,460
866,621	84,686	951,307
7,495	-	7,495
8,234	816	9,050
<u>197,488</u>	<u>8,092</u>	<u>205,580</u>
<u>5,777,804</u>	<u>93,594</u>	<u>5,871,398</u>
155,893	(256,314)	(100,421)
<u>3,451,352</u>	<u>2,226,324</u>	<u>5,677,676</u>
\$ <u><u>3,607,245</u></u>	\$ <u><u>1,970,010</u></u>	\$ <u><u>5,577,255</u></u>

# Village of Chagrin Falls

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

**December 31, 2014**

	<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>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,807,231</u>	\$ <u>121,179</u>	\$ <u>1,285,851</u>	\$ <u>168,613</u>	\$ <u>3,382,874</u>
Total Assets	\$ <u>1,807,231</u>	\$ <u>121,179</u>	\$ <u>1,285,851</u>	\$ <u>168,613</u>	\$ <u>3,382,874</u>
<b>Fund Balances</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	121,179	286,138	152,531	559,848
Committed	-	-	26,598	-	26,598
Assigned	30,275	-	973,115	-	1,003,390
Unassigned	<u>1,776,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,776,956</u>
Total Fund Balances	\$ <u>1,807,231</u>	\$ <u>121,179</u>	\$ <u>1,285,851</u>	\$ <u>168,613</u>	\$ <u>3,382,874</u>

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

## Village of Chagrin Falls

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

**December 31, 2014**

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Total Governmental Fund Balances \$ 3,382,874

*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	\$ 280,463	
Internal Balances	<u>(56,092)</u>	<u>224,371</u>

Net Position of Governmental Activities \$ 3,607,245

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

# Village of Chagrin Falls

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

### **For the Year Ended December 31, 2014**

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Municipal Income Taxes	\$ 2,689,884	\$ 473,576	\$ -	\$ -	\$ 3,163,460
Property and Other Local Taxes	1,283,967	-	-	250,539	1,534,506
Special Assessments	-	-	10,071	-	10,071
Charges for Services	1,274,242	-	22,039	-	1,296,281
Fines, Licenses and Permits	128,238	-	-	50	128,288
Intergovernmental	316,624	255,237	250,340	44,420	866,621
Earnings on Investments	7,495	-	-	-	7,495
Miscellaneous	157,091	21,967	11,000	7,430	197,488
Total Receipts	<u>5,857,541</u>	<u>750,780</u>	<u>293,450</u>	<u>302,439</u>	<u>7,204,210</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General Government	1,185,273	-	-	18,269	1,203,542
Security of Persons and Property	3,072,096	-	-	70,869	3,142,965
Public Health Services	489,131	-	-	-	489,131
Leisure Time Activities	86,078	-	-	-	86,078
Community Development	200,998	-	-	-	200,998
Basic Utilities	273,077	-	-	-	273,077
Transportation	29,689	859,113	-	-	888,802
Capital Outlay	52,788	3,598	532,363	-	588,749
<b>Debt Service:</b>					
Principal Retirement	-	-	32,339	188,000	220,339
Interest and Fiscal Charges	-	-	-	29,664	29,664
Bond Issuance Costs	-	-	-	32,221	32,221
Total Disbursements	<u>5,389,130</u>	<u>862,711</u>	<u>564,702</u>	<u>339,023</u>	<u>7,155,566</u>
Excess of Receipts Over (Under) Disbursements	<u>468,411</u>	<u>(111,931)</u>	<u>(271,252)</u>	<u>(36,584)</u>	<u>48,644</u>
<b>Other Financing Sources (Uses):</b>					
Refunding Bond Issued	-	-	-	940,000	940,000
Premium on Refunding Bond Issued	-	-	-	44,763	44,763
Payment to Refunded Bond Escrow Agent	-	-	-	(952,542)	(952,542)
Proceeds from Sale of Fixed Assets	4,972	-	-	-	4,972
Transfers In	-	120,000	162,371	20,000	302,371
Transfers Out	(302,371)	-	-	-	(302,371)
Other Financing Uses	(9,573)	-	-	-	(9,573)
Total Other Financing Sources (Uses)	<u>(306,972)</u>	<u>120,000</u>	<u>162,371</u>	<u>52,221</u>	<u>27,620</u>
Net Change in Fund Balances	161,439	8,069	(108,881)	15,637	76,264
Fund Balances, Beginning of Year	<u>1,645,792</u>	<u>113,110</u>	<u>1,394,732</u>	<u>152,976</u>	<u>3,306,610</u>
Fund Balances, End of Year	\$ <u>1,807,231</u>	\$ <u>121,179</u>	\$ <u>1,285,851</u>	\$ <u>168,613</u>	\$ <u>3,382,874</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 Cash Basis Fund Balances of Governmental Funds to the Statement of Activities

#### **For the Year Ended December 31, 2014**

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Net Change in Fund Balances - Total Governmental Funds \$ 76,264

*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	\$ 99,535	
Internal Balances	<u>(19,906)</u>	<u>79,629</u>

Change in Net Position of Governmental Activities \$ 155,893

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, 2014**

	<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	\$ 2,333,978	\$ 2,609,548	\$ 2,689,884	\$ 80,336
Property and Other Local Taxes	1,114,082	1,245,620	1,283,967	38,347
Intergovernmental	274,731	307,168	316,624	9,456
Charges for Services	1,105,643	1,236,186	1,274,242	38,056
Fines, Licenses and Permits	111,271	124,408	128,238	3,830
Earnings on Investments	6,508	7,276	7,500	224
Miscellaneous	<u>131,256</u>	<u>146,753</u>	<u>151,271</u>	<u>4,518</u>
Total receipts	<u>5,077,469</u>	<u>5,676,959</u>	<u>5,851,726</u>	<u>174,767</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	1,027,252	1,207,000	1,185,273	21,727
Security of Persons and Property	2,960,426	3,108,000	3,072,096	35,904
Public Health Services	464,885	526,000	489,131	36,869
Leisure Time Activities	87,942	100,000	86,078	13,922
Community Development	212,085	225,000	200,998	24,002
Basic Utilities	292,921	300,000	273,077	26,923
Transportation	34,621	46,000	29,689	16,311
Capital Outlay	<u>232,000</u>	<u>270,000</u>	<u>52,788</u>	<u>217,212</u>
Total Disbursements	<u>5,312,132</u>	<u>5,782,000</u>	<u>5,389,130</u>	<u>392,870</u>
Excess of Receipts Over (Under) Disbursements	<u>(234,663)</u>	<u>(105,041)</u>	<u>462,596</u>	<u>567,637</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	4,314	4,824	4,972	148
Transfers Out	(210,000)	(302,372)	(302,371)	1
Other Financing Uses	<u>(4,000)</u>	<u>(20,000)</u>	<u>(9,573)</u>	<u>10,427</u>
Total Other Financing Sources (Uses)	<u>(209,686)</u>	<u>(317,548)</u>	<u>(306,972)</u>	<u>10,576</u>
Net Change in Fund Balance	(444,349)	(422,589)	155,624	578,213
Fund Balance, Beginning of Year	<u>1,600,656</u>	<u>1,600,656</u>	<u>1,600,656</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>1,156,307</u>	\$ <u>1,178,067</u>	\$ <u>1,756,280</u>	\$ <u>578,213</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Municipal Income Taxes	\$ 482,546	\$ 482,546	\$ 473,576	\$ (8,970)
Intergovernmental	260,071	260,071	255,237	(4,834)
Miscellaneous	<u>22,383</u>	<u>22,383</u>	<u>21,967</u>	<u>(416)</u>
Total receipts	<u>765,000</u>	<u>765,000</u>	<u>750,780</u>	<u>(14,220)</u>
Disbursements:				
Current:				
Transportation	940,143	972,925	859,113	113,812
Capital Outlay	<u>3,937</u>	<u>4,075</u>	<u>3,598</u>	<u>477</u>
Total Disbursements	<u>944,080</u>	<u>977,000</u>	<u>862,711</u>	<u>114,289</u>
Excess of Receipts (Under) Disbursements	(179,080)	(212,000)	(111,931)	100,069
Other Financing Sources:				
Transfers In	<u>95,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Net Change in Fund Balance	(84,080)	(92,000)	8,069	100,069
Fund Balance, Beginning of Year	<u>113,110</u>	<u>113,110</u>	<u>113,110</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>29,030</u>	\$ <u>21,110</u>	\$ <u>121,179</u>	\$ <u>100,069</u>

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

# Village of Chagrin Falls

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

**December 31, 2014**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>758,835</u>	\$ <u>1,155,083</u>	\$ <u>1,913,918</u>	\$ <u>280,463</u>
Total Assets	<u>758,835</u>	<u>1,155,083</u>	<u>1,913,918</u>	<u>280,463</u>
Net Position:				
Unrestricted	<u>758,835</u>	<u>1,155,083</u>	<u>1,913,918</u>	<u>280,463</u>
	\$ <u>758,835</u>	\$ <u>1,155,083</u>	1,913,918	\$ <u>280,463</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>56,092</u>	
Net position of Business-Type activities			\$ <u>1,970,010</u>	

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

## Village of Chagrin Falls

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

**For the Year Ended December 31, 2014**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,536,102	\$ 1,271,458	\$ 2,807,560	\$ 409,572
Miscellaneous	8,092	-	8,092	-
Total Operating Receipts	<u>1,544,194</u>	<u>1,271,458</u>	<u>2,815,652</u>	<u>409,572</u>
Operating Disbursements:				
Personal Services	454,113	759,179	1,213,292	54,994
Contractual Services	1,339,327	339,995	1,679,322	21,004
Materials and Supplies	70,918	124,225	195,143	141,088
Other	52,440	31,756	84,196	97,029
Total Operating Disbursements	<u>1,916,798</u>	<u>1,255,155</u>	<u>3,171,953</u>	<u>314,115</u>
Operating Income (Loss)	<u>(372,604)</u>	<u>16,303</u>	<u>(356,301)</u>	<u>95,457</u>
Non-Operating Receipts (Disbursements):				
Intergovernmental	84,686	-	84,686	-
Proceeds from Sale of Fixed Assets	-	-	-	4,078
Principal Retirement	-	(4,605)	(4,605)	-
Total Non-Operating Receipts (Disbursements)	<u>84,686</u>	<u>(4,605)</u>	<u>80,081</u>	<u>4,078</u>
Change in Net Position	(287,918)	11,698	(276,220)	99,535
Net Position, Beginning of Year	<u>1,046,753</u>	<u>1,143,385</u>		<u>180,928</u>
Net Position, End of Year	\$ <u>758,835</u>	\$ <u>1,155,083</u>		\$ <u>280,463</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>19,906</u>	
Change in Net Position of Business Type activities			\$ <u>(256,314)</u>	

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

**Village of Chagrin Falls**

Statement of Fiduciary Net Position – Cash Basis  
Fiduciary Fund

**December 31, 2014**

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>121,688</u>
Net Position:	
Unrestricted	\$ <u><u>121,688</u></u>

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

# Village of Chagrin Falls

## Statement of Net Position – Cash Basis

**December 31, 2013**

---

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,451,352</u>	\$ <u>2,226,324</u>	\$ <u>5,677,676</u>
Total Assets	<u>3,451,352</u>	<u>2,226,324</u>	<u>5,677,676</u>
Net Position:			
Restricted for:			
Debt Service	76,983	-	76,983
Capital Projects	1,394,732	-	1,394,732
Permanent Fund Purposes:			
Expendable	16,339	-	16,339
Nonexpendable	16,082	-	16,082
Other Purposes	201,818	-	201,818
Unrestricted	<u>1,745,398</u>	<u>2,226,324</u>	<u>3,971,722</u>
Total Net Position	<u>\$ 3,451,352</u>	<u>\$ 2,226,324</u>	<u>\$ 5,677,676</u>

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

# Village of Chagrin Falls

Statement of Activities – Cash Basis

**For the Year Ended December 31, 2013**

		<u>Program Cash Receipts</u>	
	<u>Cash</u>	<u>Charges</u>	<u>Capital Grants</u>
	<u>Disbursements</u>	<u>for Services</u>	<u>and Special</u>
		<u>Activities</u>	<u>Assessments</u>
Governmental Activities:			
General Government	\$ 1,636,462	\$ 418,516	\$ -
Security of Persons and Property	2,762,706	656,537	-
Public Health Services	456,765	44,560	-
Leisure Time Activities	87,590	-	-
Community Development	202,683	-	-
Basic Utilities	402,917	-	-
Transportation	1,754,735	-	10,821
Principal Retirement	202,339	-	-
Interest and Fiscal Charges	51,232	-	-
Total Governmental Activities	<u>7,557,429</u>	<u>1,119,613</u>	<u>10,821</u>
Business-Type Activity:			
Water	2,771,452	1,514,149	691,616
Sewer	<u>1,383,425</u>	<u>1,282,735</u>	<u>-</u>
Total Business-Type Activities	<u>4,154,877</u>	<u>2,796,884</u>	<u>691,616</u>
Total	<u>\$ 11,712,306</u>	<u>\$ 3,916,497</u>	<u>\$ 702,437</u>

General Receipts:

Property Taxes Levied for:  
     General Purposes  
     Debt Service  
 Municipal Income Taxes  
 Grants and Entitlements  
     not Restricted to Specific Programs  
 Earnings on Investments  
 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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,217,946)	\$ -	\$ (1,217,946)
(2,106,169)	-	(2,106,169)
(412,205)	-	(412,205)
(87,590)	-	(87,590)
(202,683)	-	(202,683)
(402,917)	-	(402,917)
(1,743,914)	-	(1,743,914)
(202,339)	-	(202,339)
(51,232)	-	(51,232)
<u>(6,426,995)</u>	<u>-</u>	<u>(6,426,995)</u>
-	(565,687)	(565,687)
<u>-</u>	<u>(100,690)</u>	<u>(100,690)</u>
<u>-</u>	<u>(666,377)</u>	<u>(666,377)</u>
<u>(6,426,995)</u>	<u>(666,377)</u>	<u>(7,093,372)</u>
1,330,294	-	1,330,294
200,318	-	200,318
3,142,853	-	3,142,853
1,330,621	-	1,330,621
8,783	-	8,783
<u>226,000</u>	<u>30,888</u>	<u>256,888</u>
<u>6,238,869</u>	<u>30,888</u>	<u>6,269,757</u>
(188,126)	(635,489)	(823,615)
<u>3,639,478</u>	<u>2,861,813</u>	<u>6,501,291</u>
\$ <u>3,451,352</u>	\$ <u>2,226,324</u>	\$ <u>5,677,676</u>

# Village of Chagrin Falls

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

**December 31, 2013**

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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>1,645,792</u>	\$ <u>113,110</u>	\$ <u>1,394,732</u>	\$ <u>152,976</u>	\$ <u>3,306,610</u>
Total Assets	\$ <u>1,645,792</u>	\$ <u>113,110</u>	\$ <u>1,394,732</u>	\$ <u>152,976</u>	\$ <u>3,306,610</u>
Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	113,110	208,743	136,894	458,747
Committed	-	-	26,598	-	26,598
Assigned	29,780	-	1,159,391	-	1,189,171
Unassigned	<u>1,616,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,616,012</u>
Total Fund Balances	\$ <u>1,645,792</u>	\$ <u>113,110</u>	\$ <u>1,394,732</u>	\$ <u>152,976</u>	\$ <u>3,306,610</u>

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

## Village of Chagrin Falls

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

**December 31, 2013**

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Total Governmental Fund Balances \$ 3,306,610

*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	\$ 180,928	
Internal Balances	<u>(36,186)</u>	<u>144,742</u>

Net Position of Governmental Activities \$ 3,451,352

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

## Village of Chagrin Falls

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

#### **For the Year Ended December 31, 2013**

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Municipal Income Taxes	\$ 2,672,023	\$ 470,830	\$ -	\$ -	\$ 3,142,853
Property and Other Local Taxes	1,280,215	-	-	250,397	1,530,612
Special Assessments	-	-	10,821	-	10,821
Charges for Services	973,547	-	-	-	973,547
Fines, Licenses and Permits	106,274	-	-	-	106,274
Intergovernmental	777,258	277,093	217,478	58,792	1,330,621
Earnings on Investments	8,783	-	-	-	8,783
Miscellaneous	59,038	4,429	157,058	5,475	226,000
Total Receipts	<u>5,877,138</u>	<u>752,352</u>	<u>385,357</u>	<u>314,664</u>	<u>7,329,511</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General Government	1,146,790	-	-	12,238	1,159,028
Security of Persons and Property	2,704,326	-	-	58,380	2,762,706
Public Health Services	456,765	-	-	-	456,765
Leisure Time Activities	87,590	-	-	-	87,590
Community Development	202,683	-	-	-	202,683
Basic Utilities	402,917	-	-	-	402,917
Transportation	32,317	881,522	-	-	913,839
Capital Outlay	215,542	8,849	1,090,453	-	1,314,844
<b>Debt Service:</b>					
Principal Retirement	-	-	32,339	170,000	202,339
Interest and Fiscal Charges	-	-	-	51,232	51,232
Total Disbursements	<u>5,248,930</u>	<u>890,371</u>	<u>1,122,792</u>	<u>291,850</u>	<u>7,553,943</u>
Excess of Receipts Over (Under) Disbursements	<u>628,208</u>	<u>(138,019)</u>	<u>(737,435)</u>	<u>22,814</u>	<u>(224,432)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	198,000	475,685	-	673,685
Transfers Out	(673,685)	-	-	-	(673,685)
Advances In	20,000	-	-	-	20,000
Advances Out	-	-	-	(20,000)	(20,000)
Other Financing Uses	(3,486)	-	-	-	(3,486)
Total Other Financing Sources (Uses)	<u>(657,171)</u>	<u>198,000</u>	<u>475,685</u>	<u>(20,000)</u>	<u>(3,486)</u>
Net Change in Fund Balances	(28,963)	59,981	(261,750)	2,814	(227,918)
Fund Balances, Beginning 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>
Fund Balances, End of Year	\$ <u>1,645,792</u>	\$ <u>113,110</u>	\$ <u>1,394,732</u>	\$ <u>152,976</u>	\$ <u>3,306,610</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 Cash Basis Fund Balances of Governmental Funds to the Statement of Activities

#### **For the Year Ended December 31, 2013**

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Net Change in Fund Balances - Total Governmental Funds \$ (227,918)

*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	\$ 49,740	
Internal Balances	<u>(9,948)</u>	<u>39,792</u>

Change in Net Position of Governmental Activities \$ (188,126)

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, 2013

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts:				
Municipal Income Taxes	\$ 2,249,880	\$ 2,612,427	\$ 2,672,023	\$ 59,596
Property and Other Local Taxes	1,077,958	1,251,661	1,280,215	28,554
Intergovernmental	654,462	759,922	777,258	17,336
Charges for Services	819,740	951,833	973,547	21,714
Fines, Licenses and Permits	89,484	103,904	106,274	2,370
Earnings on Investments	7,395	8,587	8,783	196
Miscellaneous	<u>48,843</u>	<u>56,713</u>	<u>58,007</u>	<u>1,294</u>
Total receipts	<u>4,947,762</u>	<u>5,745,047</u>	<u>5,876,107</u>	<u>131,060</u>
Disbursements:				
Current:				
General Government	1,103,456	1,151,300	1,146,790	4,510
Security of Persons and Property	2,658,900	2,890,000	2,702,556	187,444
Public Health Services	321,400	465,000	456,765	8,235
Leisure Time Activities	97,836	100,000	87,590	12,410
Community Development	225,072	244,000	202,683	41,317
Basic Utilities	440,068	450,000	402,917	47,083
Transportation	40,668	33,000	32,317	683
Capital Outlay	<u>216,900</u>	<u>260,000</u>	<u>215,542</u>	<u>44,458</u>
Total Disbursements	<u>5,104,300</u>	<u>5,593,300</u>	<u>5,247,160</u>	<u>346,140</u>
Excess of Receipts Over (Under) Disbursements	<u>(156,538)</u>	<u>151,747</u>	<u>628,947</u>	<u>477,200</u>
Other Financing Sources (Uses):				
Advances In	16,840	19,554	20,000	446
Transfers Out	(327,000)	(673,685)	(673,685)	-
Other Financing Uses	<u>(3,000)</u>	<u>(10,000)</u>	<u>(3,486)</u>	<u>6,514</u>
Total Other Financing Sources (Uses)	<u>(313,160)</u>	<u>(664,131)</u>	<u>(657,171)</u>	<u>6,960</u>
Net Change in Fund Balance	(469,698)	(512,384)	(28,224)	484,160
Fund Balance, Beginning of Year	<u>1,628,880</u>	<u>1,628,880</u>	<u>1,628,880</u>	-
Fund Balance, End of Year	\$ <u>1,159,182</u>	\$ <u>1,116,496</u>	\$ <u>1,600,656</u>	\$ <u>484,160</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Municipal Income Taxes	\$ 445,885	\$ 455,793	\$ 470,830	\$ 15,037
Intergovernmental	262,412	268,243	277,093	8,850
Miscellaneous	<u>4,194</u>	<u>4,288</u>	<u>4,429</u>	<u>141</u>
Total receipts	<u>712,491</u>	<u>728,324</u>	<u>752,352</u>	<u>24,028</u>
Disbursements:				
Current:				
Transportation	899,669	963,330	881,522	81,808
Capital Outlay	<u>9,031</u>	<u>9,670</u>	<u>8,849</u>	<u>821</u>
Total Disbursements	<u>908,700</u>	<u>973,000</u>	<u>890,371</u>	<u>82,629</u>
Excess of Receipts (Under)				
Disbursements	(196,209)	(244,676)	(138,019)	106,657
Other Financing Sources:				
Transfers In	<u>187,509</u>	<u>191,676</u>	<u>198,000</u>	<u>6,324</u>
Net Change in Fund Balance	(8,700)	(53,000)	59,981	112,981
Fund Balance, Beginning of Year	<u>53,129</u>	<u>53,129</u>	<u>53,129</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>44,429</u>	\$ <u>129</u>	\$ <u>113,110</u>	\$ <u>112,981</u>

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

# Village of Chagrin Falls

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

**December 31, 2013**

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	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Total Enterprise Funds</u>	<u>Activity Internal Service</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,046,753</u>	\$ <u>1,143,385</u>	\$ <u>2,190,138</u>	\$ <u>180,928</u>
Total Assets	<u>1,046,753</u>	<u>1,143,385</u>	<u>2,190,138</u>	<u>180,928</u>
Net Position:				
Unrestricted	<u>1,046,753</u>	<u>1,143,385</u>		<u>180,928</u>
	\$ <u>1,046,753</u>	\$ <u>1,143,385</u>		\$ <u>180,928</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>36,186</u>	
Net Position of Business-Type activities			\$ <u>2,226,324</u>	

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

## Village of Chagrin Falls

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

#### **For the Year Ended December 31, 2013**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,514,149	\$ 1,282,735	\$ 2,796,884	\$ 432,500
Miscellaneous	<u>22,047</u>	<u>8,841</u>	<u>30,888</u>	<u>-</u>
Total Operating Receipts	<u>1,536,196</u>	<u>1,291,576</u>	<u>2,827,772</u>	<u>432,500</u>
Operating Disbursements:				
Personal Services	406,110	730,184	1,136,294	46,451
Contractual Services	1,512,247	460,783	1,973,030	38,693
Materials and Supplies	22,083	134,113	156,196	126,247
Other	<u>835,986</u>	<u>58,714</u>	<u>894,700</u>	<u>171,369</u>
Total Operating Disbursements	<u>2,776,426</u>	<u>1,383,794</u>	<u>4,160,220</u>	<u>382,760</u>
Operating Income (Loss)	<u>(1,240,230)</u>	<u>(92,218)</u>	<u>(1,332,448)</u>	<u>49,740</u>
Non-Operating Receipts (Disbursements):				
Intergovernmental	691,616	-	691,616	-
Principal Retirement	<u>-</u>	<u>(4,605)</u>	<u>(4,605)</u>	<u>-</u>
Total Non-Operating Receipts (Disbursements)	<u>691,616</u>	<u>(4,605)</u>	<u>687,011</u>	
Change in Net Position	(548,614)	(96,823)	(645,437)	49,740
Net Position, Beginning of Year	<u>1,595,367</u>	<u>1,240,208</u>		<u>131,188</u>
Net Position, End of Year	\$ <u>1,046,753</u>	\$ <u>1,143,385</u>		\$ <u>180,928</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>9,948</u>	
Change in Net Position of Business-Type activities			\$ <u>(635,489)</u>	

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

**Village of Chagrin Falls**

Statement of Fiduciary Net Position – Cash Basis  
Fiduciary Fund

**December 31, 2013**

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>118,653</u>
Net Position:	
Unrestricted	\$ <u><u>118,653</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, 2014 and December 31, 2013**

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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 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, 2014 and December 31, 2013**

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

As discussed further in Note 2C, these financial statements are presented on the cash basis of accounting. This 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 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 cash basis or draws from the Village's general receipts.

#### **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.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

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

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

##### Fund Financial Statements

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.

##### 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

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

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

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.

Sanitary Sewer Fund – The sanitary 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 Chagrin Valley Dispatch Council’s (CVDC) operating transactions. The CVDC’s operating revenues and expenditures are maintained separately within this fund. Additionally, this fund accounts 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 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 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, 2014 and December 31, 2013**

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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 2014 and 2013, 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, 2014 and December 31, 2013**

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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 2014 and 2013 were \$7,495 and \$8,783 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 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 post-employment health care benefits.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

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

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

The Village's 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, 2014 and December 31, 2013

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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. Comparative Data/Reclassifications*

Prior year data presented in Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

### Note 3: 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 governmental funds. In 2014, 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	-	121,179	386	-	121,565
Police Operations	-	-	-	23,450	23,450
Police and Fire Pension	-	-	-	12,123	12,123
Safe Routes to School Program	-	-	-	850	850
Parks Maintenance	-	-	-	14,406	14,406
Issue II Projects	-	-	35,798	-	35,798
Dispatch	-	-	249,954	-	249,954
Cemetery	-	-	-	16,339	16,339
Debt Service	-	-	-	85,363	85,363
Total Restricted	<u>-</u>	<u>121,179</u>	<u>286,138</u>	<u>152,531</u>	<u>559,848</u>
Committed to:					
Wastewater Treatment	-	-	26,598	-	26,598
Total Committed	<u>-</u>	<u>-</u>	<u>26,598</u>	<u>-</u>	<u>26,598</u>
Assigned to:					
Construction of Various Projects	-	-	973,115	-	973,115
Earned Interest	40	-	-	-	40
Giles Foundation	30,235	-	-	-	30,235
Total Committed	<u>30,275</u>	<u>-</u>	<u>973,115</u>	<u>-</u>	<u>1,003,390</u>
Unassigned	<u>1,776,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,776,956</u>
Total Fund Balances, December 31	\$ <u>1,807,231</u>	\$ <u>121,179</u>	\$ <u>1,285,851</u>	\$ <u>168,613</u>	\$ <u>3,382,874</u>

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Years Ended December 31, 2014 and December 31, 2013

#### Note 3: Fund Balance (continued)

In 2013, 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	-	113,110	8,806	-	121,916
Police Operations	-	-	-	22,209	22,209
Police and Fire Pension	-	-	-	3,672	3,672
Parks Maintenance	-	-	-	14,406	14,406
Safe Routes to School Program	-	-	-	3,285	3,285
Cemetery	-	-	-	16,339	16,339
Issue II Projects	-	-	41,123	-	41,123
Spillway Dam Project	-	-	158,814	-	158,814
Debt Service	-	-	-	76,983	76,983
Total Restricted	<u>-</u>	<u>113,110</u>	<u>208,743</u>	<u>136,894</u>	<u>458,747</u>
Committed to:					
Wastewater Treatment	-	-	26,598	-	26,598
Total Committed	<u>-</u>	<u>-</u>	<u>26,598</u>	<u>-</u>	<u>26,598</u>
Assigned to:					
Construction of Various Projects	-	-	1,159,391	-	1,159,391
Earned Interest	45	-	-	-	45
Giles Foundation	29,735	-	-	-	29,735
Total Committed	<u>29,780</u>	<u>-</u>	<u>1,159,391</u>	<u>-</u>	<u>1,189,171</u>
Unassigned	<u>1,616,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,616,012</u>
Total Fund Balances, December 31	\$ <u>1,645,792</u>	\$ <u>113,110</u>	\$ <u>1,394,732</u>	\$ <u>152,976</u>	\$ <u>3,306,610</u>

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Years Ended December 31, 2014 and December 31, 2013**

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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;

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Years Ended December 31, 2014 and December 31, 2013

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

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, 2014 and 2013, the Village had book balances of \$5,698,943 and \$5,796,329 respectively. Of the Village's 2014 bank balance of \$5,846,459, \$4,846,459 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 2013 bank balance of \$5,851,216, \$4,963,508 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, 2014 and December 31, 2013, the Village had only cash and cash equivalents.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

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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 municipality 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 2013 (2014) for real and public utility property taxes represents collections of the 2012 (2013) taxes.

2013 (2014) real property taxes are levied after October 1, 2012 (2013) on the assessed values as of January 1, 2012 (2013), 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. 2013 (2014) public utility property taxes which became a lien on December 31, 2012 (2013), are levied after October 1, 2012 (2013), and are collected in 2014 (2015) with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2013 (2014), was \$9.50 (9.30) per \$1,000 of assessed value. The assessed values of real and personal property upon which 2013 (2014) property tax receipts were based are as follows:

	<u>2014</u>	<u>2013</u>
Real Property:		
Residential/Agricultural	\$ 161,196,650	\$ 159,558,950
Commercial/Industrial/Mineral	26,823,090	28,606,610
Tangible Personal Property:		
Public Utility	<u>2,059,070</u>	<u>1,966,140</u>
Total Assessed Value	<u>\$ 190,078,810</u>	<u>\$ 190,131,700</u>

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2014 and December 31, 2013**

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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 member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension 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 pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits 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>, 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 2014 and 2013, 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, 2014 and 2013, 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 2014 and 2013 was 14 percent of covered payroll.

The Village's required contributions for pension obligations, excluding health care, to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$283,213, \$310,647, and \$234,560 respectively; 90.70 percent has been contributed for 2014 and 100 percent for 2013 and 2012. The Village made contributions of \$92 to the member-directed plan in 2014 and made no contributions to the member-directed plan in 2013.

#### **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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2014 and December 31, 2013**

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

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

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. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

From January 1, 2014 thru July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters. The Village's contributions, excluding health care, to OP&F for the years ended December 31, 2014, 2013, and 2012 were \$167,814, \$137,807, and \$110,734. The full amount has been contributed for years 2014, 2013, and 2012.

### **Note 8: Post-Employment 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 post-employment health care 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 post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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, 277 E. Town St., Columbus, Ohio 43215-4642, or by calling (614)222-5601 or 800-222-7377.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2014 and December 31, 2013**

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### **Note 8: Post-Employment Benefits (continued)**

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

The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014 and 2013, the Village contributed at 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' post-employment health care 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 post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 1 percent during calendar year 2013 and 2 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 percent for both plans, as recommended by 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 health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for health care for the years ended 2014, 2013 and 2012 were \$47,196, \$23,886 and \$93,824, respectively; 90.70 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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

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

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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 post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2014 and December 31, 2013**

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### **Note 8: Post-Employment Benefits (continued)**

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

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 health care 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).

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 health care in two separate accounts: One for health care 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 health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014 and 4.69 percent of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85 percent of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the health care 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 health care 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, 2014, 2013 and 2012 were \$172,294, \$169,573, \$169,318, respectively, of which \$4,480, \$31,766 and \$58,584, respectively, was allocated to the health care plan.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

### 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>General Obligation Bonds:</b>			
Streetscape Bond	2003	2 - 4.625%	\$ 2,400,000
Refunded Streetscape Bond	2014	2.750%	940,000
<b>Ohio Public Works Commission Loans:</b>			
Ridewood 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, 2014 and 2013, was as follows:

<u>December 31, 2014</u>	<u>Debt Outstanding 12/31/2013</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2014</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Streetscape Bond	\$ 940,000	\$ -	\$ 940,000	\$ -	\$ -
Refunded Streetscape Bond	-	940,000	188,000	752,000	194,000
Total General Obligation Bonds	940,000	940,000	1,128,000	752,000	194,000
<i>Ohio Public Works Commission Loans:</i>					
Ridewood Road/Bell Street Sanitary Sewer Rehabilitation	70,567	-	14,114	56,453	14,114
West Washington Watermain Replacement	53,249	-	5,325	47,924	5,325
Falls Road Water System Improvement	135,450	-	12,900	122,550	12,900
Total Ohio Public Works Commission	259,266	-	32,339	226,927	32,339
Total Governmental Activities	1,199,266	-	1,160,339	978,927	226,339
<b>Business-Type Activities:</b>					
<i>Ohio Public Works Commission Loan:</i>					
WWTP Renovation	64,461	-	4,605	59,856	4,605
Total Village	\$ 1,263,727	\$ 940,000	\$ 1,164,944	\$ 1,038,783	\$ 230,944

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

### Note 9: Debt (continued)

<u>December 31, 2013</u>	Debt Outstanding <u>12/31/2012</u>	Debt Proceeds	Principal Paid	Ending Principal <u>12/31/2013</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Streetscape Bond	\$ 1,110,000	\$ -	\$ 170,000	\$ 940,000	\$ 175,000
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	84,681	-	14,114	70,567	14,114
West Washington Watermain Replacement	58,575	-	5,325	53,249	5,325
Falls Road Water System Improvement	<u>148,350</u>	<u>-</u>	<u>12,900</u>	<u>135,450</u>	<u>12,900</u>
Total Ohio Public Works Commission	<u>291,606</u>	<u>-</u>	<u>32,339</u>	<u>259,266</u>	<u>32,339</u>
Total Governmental Activities	<u>1,401,606</u>	<u>-</u>	<u>202,339</u>	<u>1,199,266</u>	<u>207,339</u>
<b>Business-Type Activities:</b>					
<i>Ohio Public Works Commission Loan:</i>					
WWTP Renovation	<u>69,066</u>	<u>-</u>	<u>4,605</u>	<u>64,461</u>	<u>4,605</u>
Total Village	<u>\$ 1,470,672</u>	<u>\$ -</u>	<u>\$ 206,944</u>	<u>\$ 1,263,727</u>	<u>\$ 211,944</u>

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 Bond is being used for the streetscape capital improvement project.

In 2014, the Village refunded \$940,000 of the outstanding General Obligation Bond for the purpose of obtaining a lower interest rate. The refunded balance will be repaid in annual installments, ranging from \$159,000 to \$203,000, over 5 years with corresponding interest payments being paid semi-annually.

The refunded bond was sold at a premium of \$44,763. Proceeds and premium of \$984,763 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the general obligation bond.

The Village decreased its total debt service payments by \$53,977 as a result of the refunding. The Village also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$52,685.

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Years Ended December 31, 2014 and December 31, 2013

#### Note 9: Debt (continued)

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

Year	Refunded Streetscape G.O. Bonds		OPWC	Total	
	Principal	Interest	Loans Principal	Principal	Interest
2015	\$ 194,000	\$ 20,680	\$ 36,944	\$ 230,944	\$ 20,680
2016	196,000	15,345	36,944	232,944	15,345
2017	203,000	9,955	36,944	239,944	9,955
2018	159,000	4,373	36,941	195,941	4,373
2019	-	-	22,830	22,830	-
2020-2024	-	-	102,369	102,369	-
2025-2029	-	-	13,811	13,811	-
Total	\$ <u>752,000</u>	\$ <u>50,353</u>	\$ <u>286,783</u>	\$ <u>1,038,783</u>	\$ <u>50,353</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 Ohio 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, 2014, were an overall debt margin of \$19,291,638 and an unvoted debt margin of \$10,368,972. The effects of the debt limitations at December 31, 2013, were an overall debt margin of \$19,100,812 and an unvoted debt margin of \$10,380,261.

#### Note 10: Interfund Transfers

During 2013, the Village transferred \$198,000 to the Street Construction Maintenance and Repair Fund from the General Fund. The Village also transferred \$475,685 to the General Permanent Improvement Fund from the General Fund. Both transfers were in accordance with budgetary authorizations.

During 2014, the Village transferred \$120,000 to the Street Construction Maintenance and Repair Fund from the General Fund. The Village also transferred \$162,371 to the General Permanent Improvement Fund and \$20,000 to the Police Pension Fund from the General Fund. All 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, 2014 and December 31, 2013**

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

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

The Northern Ohio Risk Management Association (NORMA) is a shared 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. 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 the stop loss coverage would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

For the years ended December 31, 2014 and December 31, 2013, the Village paid \$77,839 and \$62,535, 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 South Euclid, 1349 South Green Road, South Euclid, Ohio 44121.

#### **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.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2014 and December 31, 2013**

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#### **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 \$221,904 and \$414,795 during 2014 and 2013, respectively.

#### **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 energy. NOPEC is currently comprised of 134 members in 174 communities in 10 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 ten-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 2014 or 2013. 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 (Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. During 2014 and 2013, the Village contributed \$3,500 and \$1,458, respectively, to the organization. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2014 and December 31, 2013**

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

#### ***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 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.

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 2014 and 2013, 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 was 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 eleven 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 2014 and 2013, the Village contributed \$193,295 and \$326,836, respectively, to the CVD.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2014 and December 31, 2013

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**Note 15: Lease**

The Village entered into a 120 month lease agreement as a lessee for financing commencing August 2014 for a fire truck to be used within the Village. The total rental expense for the year ended December 31, 2014, was \$16,083. Future minimum payments for the remaining lease terms in excess of one year for the years ending December 31 are as follows:

2015	\$	64,331
2016		64,331
2017		64,331
2018		64,331
2019		64,331
2020-2024		<u>305,572</u>
Total	\$	<u><u>627,227</u></u>



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 27, 2015, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 27, 2015

VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Financial Reporting – Significant Deficiency**

Sound financial reporting is the responsibility of the Director of Finance, Mayor, and Village Council, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In 2013, the Village misposted \$691,616 in Capital Grant - Water receipts as Grants and Entitlements not Restricted to Specific Programs in the Business-Type Activities. The lack of controls over the posting of financial transactions and financial reporting resulted in adjustments to the financial statements made by the Village.

We recommend the Village take appropriate measures to ensure all balances on its financial statements reflect the actual financial activity of the Village.

**Official's Response:** The Village will take measures to ensure that future grant receipts are posted in the category which most accurately describes their intended use.

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# 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 16, 2015**