



Dave Yost • Auditor of State

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
DECEMBER 31, 2016 AND 2015**

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**VILLAGE OF CHAGRIN FALLS
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DECEMBER 31, 2016 AND 2015**

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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 cash-basis financial statements of the governmental activities, 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, 2016 and 2015, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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, 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, 2016 and 2015, 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 management's discussion & analysis, as listed in the table of contents. 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 March 13, 2018, 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

March 13, 2018

Village of Chagrin Falls

Management's Discussion and Analysis

For the Years Ended December 31, 2016 and 2015

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, 2016 and December 31, 2015, 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 2016, net position of governmental activities increased \$521,376 or 12.77% from the prior year. In 2015, net position of governmental activities increased \$474,193, a 13.15% change from the prior year. The net position variances in 2016 related primarily to a decrease in security of persons and property expenditures as a result of receiving dispatch services from the Chagrin Valley Dispatch Council, thereby reducing dispatcher employment at the Village in the current year. In 2015, the net position variances related primarily to the increase in cash caused by increases in municipal income tax revenue.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 21% and 50% of the total cash received for governmental activities during 2016 and 19% and 47%, respectively, of the total cash received for governmental activities during 2015.
- In 2016, net position of proprietary activities decreased \$105,427 or 8.60% from the prior year while in 2015, net position of proprietary activities decreased \$744,531 or a 37.79% change from the prior year. These variances are primarily due to water main replacement projects that occurred in 2016 and 2015 and decreases in Ohio Public Works Commission funding received.

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 – Cash Basis and the Statement of Activities – Cash Basis 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, 2016 and 2015

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 – Cash Basis and the Statement of Activities – Cash Basis

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2016 and 2015, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the cash balances of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis 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 – Cash Basis and the Statement of Activities – Cash Basis, 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, 2016 and 2015

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 2016 and pages 34 through 35 for 2015.

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 2016 and page 36 for 2015 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, 2016 and 2015

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2016, 2015, and 2014 on a cash basis:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,602,814</u>	\$ <u>4,081,438</u>	\$ <u>3,607,245</u>
Total Assets	<u>4,602,814</u>	<u>4,081,438</u>	<u>3,607,245</u>
Net Position:			
Restricted for:			
Debt Service	67,816	59,356	85,363
Capital Project	549,621	988,280	1,285,851
Permanent fund purpose			
Expendable	16,339	16,339	16,339
Non-expendable	16,082	16,082	16,082
Other Purposes	337,334	346,681	222,959
Unrestricted	<u>3,615,622</u>	<u>2,654,700</u>	<u>1,980,651</u>
Total Net Position	\$ <u><u>4,602,814</u></u>	\$ <u><u>4,081,438</u></u>	\$ <u><u>3,607,245</u></u>
Business-Type Net Position			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,120,052</u>	\$ <u>1,225,479</u>	\$ <u>1,970,010</u>
Total Assets	<u>1,120,052</u>	<u>1,225,479</u>	<u>1,970,010</u>
Net Position:			
Unrestricted	<u>1,120,052</u>	<u>1,225,479</u>	<u>1,970,010</u>
Total Net Position	\$ <u><u>1,120,052</u></u>	\$ <u><u>1,225,479</u></u>	\$ <u><u>1,970,010</u></u>

Net position of governmental activities increased \$521,376 or 12.77% during 2016 and increased \$474,193 or 13.15% during 2015. The primary reason contributing to the increase in the cash balance in 2016 was due to a decrease in security of persons and property expenditures. In 2015, the primary reason contributing to the increase in the cash balance in 2015 was due mostly to increases in municipal income tax revenue.

Village of Chagrin Falls

Management's Discussion and Analysis

For the Years Ended December 31, 2016 and 2015

Net position of business-type activities decreased \$105,427 or 8.60% during 2016 and decreased \$744,531 or 37.79% during 2015. These variances are primarily due to water main replacement projects that occurred in 2016 and 2015 and decreases in Ohio Public Works Commission funding received.

Table 2 reflects the changes in net position on a cash basis in 2016, 2015, and 2014 for governmental activities.

(Table 2)
Changes in Governmental Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 787,460	\$ 1,472,789	\$ 1,500,936
Capital Grants and Special Assessments	12,134	10,528	10,071
Total Program Receipts	<u>799,594</u>	<u>1,483,317</u>	<u>1,511,007</u>
General Receipts:			
Property Taxes	1,571,605	1,496,419	1,534,506
Municipal Income Taxes	3,686,959	3,634,163	3,163,460
Grants and Entitlements Not Restricted to Specific Programs	749,449	855,538	866,621
Loan Proceeds	122,024	-	-
Proceeds from Sale of Fixed Assets	-	140,000	8,234
Earnings on Investments	27,587	8,643	7,495
Miscellaneous	<u>383,143</u>	<u>107,851</u>	<u>197,488</u>
Total General Receipts	<u>6,540,767</u>	<u>6,242,614</u>	<u>5,777,804</u>
Total Receipts	<u>7,340,361</u>	<u>7,725,931</u>	<u>7,288,811</u>
Disbursements:			
General Government	1,403,744	1,307,157	1,257,777
Security of Persons and Property	2,355,774	3,228,260	3,167,419
Public Health Services	473,870	486,373	489,131
Leisure Time Activities	101,272	102,480	86,078
Community Development	209,161	178,636	200,998
Basic Utilities	285,752	273,202	273,077
Transportation	1,743,541	1,428,751	1,408,435
Principal Retirement	230,373	226,339	220,339
Interest and Fiscal Charges	<u>15,498</u>	<u>20,540</u>	<u>29,664</u>
Total Disbursements	<u>6,818,985</u>	<u>7,251,738</u>	<u>7,132,918</u>
Change in Net Position	521,376	474,193	155,893
Net Position, January 1	<u>4,081,438</u>	<u>3,607,245</u>	<u>3,451,352</u>
Net Position, December 31	<u>\$ 4,602,814</u>	<u>\$ 4,081,438</u>	<u>\$ 3,607,245</u>

Village of Chagrin Falls

Management's Discussion and Analysis

For the Years Ended December 31, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ <u>2,960,259</u>	\$ <u>2,585,085</u>	\$ <u>2,807,560</u>
Total Program Receipts	<u>2,960,259</u>	<u>2,585,085</u>	<u>2,807,560</u>
General Receipts:			
Grants and Entitlements Not Restricted to Specific Programs	6,246	5,920	84,686
Proceeds from Sale of Fixed Assets	-	-	816
Miscellaneous	<u>2,267</u>	<u>6,801</u>	<u>8,092</u>
Total General Receipts	<u>8,513</u>	<u>12,721</u>	<u>93,594</u>
Total Receipts	<u>2,968,772</u>	<u>2,597,806</u>	<u>2,901,154</u>
Disbursements:			
Water	1,700,020	1,758,156	1,907,253
Sewer	<u>1,374,179</u>	<u>1,584,181</u>	<u>1,250,215</u>
Total Disbursements	<u>3,074,199</u>	<u>3,342,337</u>	<u>3,157,468</u>
Decrease in Net Position	(105,427)	(744,531)	(256,314)
Net Position, January 1	<u>1,225,479</u>	<u>1,970,010</u>	<u>2,226,324</u>
Net Position, December 31	\$ <u>1,120,052</u>	\$ <u>1,225,479</u>	\$ <u>1,970,010</u>

Business-Type Activities

Program receipts of business-type activities represent 99.71% in 2016 and 99.51% in 2015 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 0.29% in 2016 and 0.49% in 2015 of the Village's total business-type receipts. They are primarily comprised of intergovernmental revenue to operate water and sanitary sewer.

Disbursements for business-type activities are for the costs of providing water and sanitary sewer services to residents.

Village of Chagrin Falls

Management's Discussion and Analysis

For the Years Ended December 31, 2016 and 2015

Governmental Activities

Program receipts of governmental activities represent only 10.89% in 2016 and 19.20% in 2015 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 89.11% in 2016 and 80.80% in 2015. Of the Village's 2016 total governmental receipts, 21.41% and 50.23% are property taxes and income taxes, respectively. Of the Village's 2015 total governmental receipts, 19.37% and 47.04% are property taxes and income taxes, respectively. Unrestricted state and federal grants and entitlements, and investment income constitute 10.59% of the Village's general receipts during 2016 and roughly 11.19% during 2015. 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 – Cash Basis 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 34.55% and 25.57% of all governmental disbursements in 2016, and 44.52% and 19.70% of all government disbursements in 2015, respectively. General government also represents a significant cost, approximately 20.59% in 2016 and 18.03% in 2015, respectively. The next two 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, 2016 and 2015

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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
General Government	\$ 1,403,744	\$ (823,127)	\$ 1,307,157	\$ (768,143)	\$ 1,257,777	\$ (660,114)
Security of Persons and Property	2,355,774	(2,220,181)	3,228,260	(2,362,385)	3,167,419	(2,334,916)
Public Health Services	473,870	(402,620)	486,373	(418,473)	489,131	(418,361)
Leisure Time Activities	101,272	(101,272)	102,480	(102,480)	86,078	(86,078)
Community Environment	209,161	(209,161)	178,636	(178,636)	200,998	(200,998)
Basic Utilities	285,752	(285,752)	273,202	(273,202)	273,077	(273,077)
Transportation	1,743,541	(1,731,407)	1,428,751	(1,418,223)	1,408,435	(1,398,364)
Principal Retirement	230,373	(230,373)	226,339	(226,339)	220,339	(220,339)
Interest and Fiscal Charges	15,498	(15,498)	20,540	(20,540)	29,664	(29,664)
Total Expenses	\$ <u>6,818,985</u>	\$ <u>(6,019,391)</u>	\$ <u>7,251,738</u>	\$ <u>(5,768,421)</u>	\$ <u>7,132,918</u>	\$ <u>(5,621,911)</u>

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 \$105,427 for 2016 and \$744,531 for 2015.

The Village's Funds

In 2016, total governmental funds had receipts and other financing sources of \$7,507,209 and disbursements and other financing uses of \$7,118,985. The greatest change within governmental funds occurred within the General Fund. This fund's balance increased \$805,672 as the result of an overall reduction in operating expenditures during 2016.

In 2015, total governmental funds had receipts and other financing sources of \$7,865,925 and disbursements and other financing uses of \$7,401,738. The greatest change within governmental funds occurred within the General Fund. This fund's balance increased \$672,234 as the result of an increase in municipal income tax revenue received in 2015.

Village of Chagrin Falls

Management's Discussion and Analysis

For the Years Ended December 31, 2016 and 2015

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 2016 and 2015, the Village amended its General Fund budget to reflect changing circumstances. In 2016, the difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was unfavorable; whereas the Village received \$699 less 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 \$497,598 less than was budgeted. The result is an increase in fund balance of \$827,770 for 2016.

In 2015, the difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was favorable; whereas the Village received \$144,287 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 \$629,139 less than was budgeted. The result is an increase in fund balance of \$664,043 for 2015.

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, 2016, the Village's outstanding debt included \$362,000 in General Obligation Bonds and \$803,803 in Ohio Public Works Commission interest-free loans. For further information regarding the Village's debt, refer to Note 10 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, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,602,814</u>	\$ <u>1,120,052</u>	\$ <u>5,722,866</u>
Total Assets	<u>4,602,814</u>	<u>1,120,052</u>	<u>5,722,866</u>
Net Position:			
Restricted for:			
Debt Service	67,816	-	67,816
Capital Projects	549,621	-	549,621
Permanent Fund Purposes:			
Expendable	16,339	-	16,339
Nonexpendable	16,082	-	16,082
Other Purposes	337,334	-	337,334
Unrestricted	<u>3,615,622</u>	<u>1,120,052</u>	<u>4,735,674</u>
Total Net Position	\$ <u><u>4,602,814</u></u>	\$ <u><u>1,120,052</u></u>	\$ <u><u>5,722,866</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, 2016

	Cash	<u>Program Cash Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Services Activities</u>	<u>Capital Grants and Special Assessments</u>
Governmental Activities:			
General Government	\$ 1,403,744	\$ 580,617	\$ -
Security of Persons and Property	2,355,774	135,593	-
Public Health Services	473,870	71,250	-
Leisure Time Activities	101,272	-	-
Community Development	209,161	-	-
Basic Utilities	285,752	-	-
Transportation	1,743,541	-	12,134
Principal Retirement	230,373	-	-
Interest and Fiscal Charges	15,498	-	-
Total Governmental Activities	<u>6,818,985</u>	<u>787,460</u>	<u>12,134</u>
Business-Type Activity:			
Water	1,700,020	1,667,077	-
Sewer	1,374,179	1,293,182	-
Total Business-Type Activities	<u>3,074,199</u>	<u>2,960,259</u>	<u>-</u>
Total	<u>\$ 9,893,184</u>	<u>\$ 3,747,719</u>	<u>\$ 12,134</u>

General Receipts:
 Property Taxes Levied for:
 General Purposes
 Debt Service
 Municipal Income Taxes
 Grants and Entitlements
 not Restricted to Specific Programs
 Loan Proceeds
 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 Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (823,127)	\$ -	\$ (823,127)
(2,220,181)	-	(2,220,181)
(402,620)	-	(402,620)
(101,272)	-	(101,272)
(209,161)	-	(209,161)
(285,752)	-	(285,752)
(1,731,407)	-	(1,731,407)
(230,373)	-	(230,373)
<u>(15,498)</u>	<u>-</u>	<u>(15,498)</u>
<u>(6,019,391)</u>	<u>-</u>	<u>(6,019,391)</u>
-	(32,943)	(32,943)
<u>-</u>	<u>(80,997)</u>	<u>(80,997)</u>
<u>-</u>	<u>(113,940)</u>	<u>(113,940)</u>
<u>(6,019,391)</u>	<u>(113,940)</u>	<u>(6,133,331)</u>
1,376,983	-	1,376,983
194,622	-	194,622
3,686,959	-	3,686,959
749,449	6,246	755,695
122,024	-	122,024
27,587	-	27,587
<u>383,143</u>	<u>2,267</u>	<u>385,410</u>
6,540,767	8,513	6,549,280
521,376	(105,427)	415,949
<u>4,081,438</u>	<u>1,225,479</u>	<u>5,306,917</u>
\$ <u><u>4,602,814</u></u>	\$ <u><u>1,120,052</u></u>	\$ <u><u>5,722,866</u></u>

Village of Chagrin Falls

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2016

	<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	\$ 3,285,137	\$ 240,204	\$ 549,621	\$ 160,323	\$ 4,235,285
Total Assets	<u>\$ 3,285,137</u>	<u>\$ 240,204</u>	<u>\$ 549,621</u>	<u>\$ 160,323</u>	<u>\$ 4,235,285</u>
Fund Balances					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	240,204	147,172	144,241	531,617
Assigned	2,118	-	402,449	-	404,567
Unassigned	<u>3,283,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,283,019</u>
Total Fund Balances	<u>\$ 3,285,137</u>	<u>\$ 240,204</u>	<u>\$ 549,621</u>	<u>\$ 160,323</u>	<u>\$ 4,235,285</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, 2016

Total Governmental Fund Balances \$ 4,235,285

*Amounts reported for governmental activities in the Statement of
Net Position – Cash Basis 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	\$ 459,413	
Internal Balances	<u>(91,884)</u>	<u>367,529</u>

Net Position of Governmental Activities \$ 4,602,814

Village of Chagrin Falls

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

For the Year Ended December 31, 2016

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	\$ 1,323,903	\$ -	\$ -	\$ 247,702	\$ 1,571,605
Municipal Income Taxes	3,134,978	551,981	-	-	3,686,959
Special Assessments	-	-	12,134	-	12,134
Charges for Services	476,251	1,520	-	-	477,771
Fines, Licenses and Permits	176,537	-	-	-	176,537
Intergovernmental	293,780	237,627	175,000	43,042	749,449
Earnings on Investments	27,587	-	-	-	27,587
Miscellaneous	331,810	5,348	29,845	16,140	383,143
Total Receipts	<u>5,764,846</u>	<u>796,476</u>	<u>216,979</u>	<u>306,884</u>	<u>7,085,185</u>
Disbursements:					
Current:					
General Government	1,237,560	-	-	8,697	1,246,257
Security of Persons and Property	2,230,484	-	-	95,332	2,325,816
Public Health Services	473,870	-	-	-	473,870
Leisure Time Activities	96,834	-	-	-	96,834
Community Development	209,161	-	-	-	209,161
Basic Utilities	285,752	-	-	-	285,752
Transportation	52,269	937,880	-	-	990,149
Capital Outlay	70,426	28,742	843,289	-	942,457
Debt Service:					
Principal Retirement	-	-	34,373	196,000	230,373
Interest and Fiscal Charges	-	-	-	15,498	15,498
Total Disbursements	<u>4,656,356</u>	<u>966,622</u>	<u>877,662</u>	<u>315,527</u>	<u>6,816,167</u>
Excess of Receipts Over (Under) Disbursements	<u>1,108,490</u>	<u>(170,146)</u>	<u>(660,683)</u>	<u>(8,643)</u>	<u>269,018</u>
Other Financing Sources (Uses):					
Loan Proceeds	-	-	122,024	-	122,024
Transfers In	-	200,000	100,000	-	300,000
Transfers Out	(300,000)	-	-	-	(300,000)
Other Financing Uses	(2,818)	-	-	-	(2,818)
Total Other Financing Sources (Uses)	<u>(302,818)</u>	<u>200,000</u>	<u>222,024</u>	<u>-</u>	<u>119,206</u>
Net Change in Fund Balances	805,672	29,854	(438,659)	(8,643)	388,224
Fund Balances, Beginning of Year	<u>2,479,465</u>	<u>210,350</u>	<u>988,280</u>	<u>168,966</u>	<u>3,847,061</u>
Fund Balances, End of Year	\$ <u>3,285,137</u>	\$ <u>240,204</u>	\$ <u>549,621</u>	\$ <u>160,323</u>	\$ <u>4,235,285</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 388,224

*Amounts reported for governmental activities in the
Statement of Activities – Cash Basis 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	\$ 166,442	
Internal Balances	<u>(33,290)</u>	<u>133,152</u>

Change in Net Position of Governmental Activities \$ 521,376

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
Property and Other Local Taxes	\$ 1,442,415	\$ 1,442,415	\$ 1,323,903	\$ (118,512)
Municipal Income Taxes	2,379,875	3,051,666	3,134,978	83,312
Intergovernmental	223,019	285,973	293,780	7,807
Charges for Services	361,539	463,595	476,251	12,656
Fines, Licenses and Permits	134,016	171,846	176,537	4,691
Earnings on Investments	20,848	26,733	27,463	730
Miscellaneous	<u>246,158</u>	<u>315,643</u>	<u>324,260</u>	<u>8,617</u>
Total receipts	<u>4,807,870</u>	<u>5,757,871</u>	<u>5,757,172</u>	<u>(699)</u>
Disbursements:				
Current:				
General Government	1,076,265	1,302,000	1,237,560	64,440
Security of Persons and Property	2,177,460	2,235,000	2,200,712	34,288
Public Health Services	488,962	530,000	473,870	56,130
Leisure Time Activities	104,781	110,000	96,834	13,166
Community Development	214,762	250,000	209,161	40,839
Basic Utilities	283,190	320,000	285,752	34,248
Transportation	94,890	95,000	52,269	42,731
Capital Outlay	<u>220,560</u>	<u>275,000</u>	<u>70,426</u>	<u>204,574</u>
Total Disbursements	<u>4,660,870</u>	<u>5,117,000</u>	<u>4,626,584</u>	<u>490,416</u>
Excess of Receipts Over Disbursements	<u>147,000</u>	<u>640,871</u>	<u>1,130,588</u>	<u>489,717</u>
Other Financing Uses:				
Transfers Out	(300,000)	(300,000)	(300,000)	-
Other Financing Uses	<u>(10,000)</u>	<u>(10,000)</u>	<u>(2,818)</u>	<u>7,182</u>
Total Other Financing Uses	<u>(310,000)</u>	<u>(310,000)</u>	<u>(302,818)</u>	<u>7,182</u>
Net Change in Fund Balance	(163,000)	330,871	827,770	496,899
Fund Balance, Beginning of Year	<u>2,420,323</u>	<u>2,420,323</u>	<u>2,420,323</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>2,257,323</u>	\$ <u>2,751,194</u>	\$ <u>3,248,093</u>	\$ <u>496,899</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
Municipal Income Taxes	\$ 450,469	\$ 562,047	\$ 551,981	\$ (10,066)
Intergovernmental	193,926	241,960	237,627	(4,333)
Charges for Services	1,240	1,548	1,520	(28)
Miscellaneous	4,364	5,446	5,348	(98)
Total receipts	<u>649,999</u>	<u>811,001</u>	<u>796,476</u>	<u>(14,525)</u>
Disbursements:				
Current:				
Transportation	1,011,744	1,072,143	937,880	134,263
Capital Outlay	<u>31,006</u>	<u>32,857</u>	<u>28,742</u>	<u>4,115</u>
Total Disbursements	<u>1,042,750</u>	<u>1,105,000</u>	<u>966,622</u>	<u>138,378</u>
Excess of Receipts (Under) Disbursements	(392,751)	(293,999)	(170,146)	123,853
Other Financing Sources:				
Transfers In	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balance	(192,751)	(93,999)	29,854	123,853
Fund Balance, Beginning of Year	<u>210,350</u>	<u>210,350</u>	<u>210,350</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>17,599</u>	\$ <u>116,351</u>	\$ <u>240,204</u>	\$ <u>123,853</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, 2016

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>429,446</u>	\$ <u>598,722</u>	\$ <u>1,028,168</u>	\$ <u>459,413</u>
Total Assets	<u>429,446</u>	<u>598,722</u>	<u>1,028,168</u>	<u>459,413</u>
Net Position:				
Unrestricted	<u>429,446</u>	<u>598,722</u>	<u>1,028,168</u>	<u>459,413</u>
	\$ <u><u>429,446</u></u>	\$ <u><u>598,722</u></u>	<u>1,028,168</u>	\$ <u><u>459,413</u></u>
Net position reported for Business-Type activities in the Statement of Net Position – Cash Basis are different because their share of Internal Service Fund assets included			<u>91,884</u>	
Net position of Business-Type activities			\$ <u><u>1,120,052</u></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, 2016

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,667,077	\$ 1,293,182	\$ 2,960,259	\$ 436,000
Miscellaneous	<u>2,267</u>	<u>-</u>	<u>2,267</u>	<u>-</u>
Total Operating Receipts	<u>1,669,344</u>	<u>1,293,182</u>	<u>2,962,526</u>	<u>436,000</u>
Operating Disbursements:				
Personal Services	441,910	808,902	1,250,812	50,999
Contractual Services	1,117,428	417,145	1,534,573	19,739
Materials and Supplies	100,664	150,408	251,072	81,541
Other	<u>39,222</u>	<u>9,765</u>	<u>48,987</u>	<u>117,279</u>
Total Operating Disbursements	<u>1,699,224</u>	<u>1,386,220</u>	<u>3,085,444</u>	<u>269,558</u>
Operating (Loss) Income	<u>(29,880)</u>	<u>(93,038)</u>	<u>(122,918)</u>	<u>166,442</u>
Non-Operating Receipts (Disbursements):				
Intergovernmental	6,246	-	6,246	-
Principal Retirement	<u>(17,441)</u>	<u>(4,604)</u>	<u>(22,045)</u>	<u>-</u>
Total Non-Operating Receipts (Disbursements)	<u>(11,195)</u>	<u>(4,604)</u>	<u>(15,799)</u>	<u>-</u>
Change in Net Position	(41,075)	(97,642)	(138,717)	166,442
Net Position, Beginning of Year	<u>470,521</u>	<u>696,364</u>		<u>292,971</u>
Net Position, End of Year	\$ <u>429,446</u>	\$ <u>598,722</u>		\$ <u>459,413</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			<u>33,290</u>	
Change in Net Position of Business Type activities			\$ <u>(105,427)</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, 2016

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>121,743</u>
Net Position:	
Unrestricted	\$ <u><u>121,743</u></u>

Village of Chagrin Falls

Statement of Net Position – Cash Basis

December 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,081,438</u>	\$ <u>1,225,479</u>	\$ <u>5,306,917</u>
Total Assets	<u>4,081,438</u>	<u>1,225,479</u>	<u>5,306,917</u>
Net Position:			
Restricted for:			
Debt Service	59,356	-	59,356
Capital Projects	988,280	-	988,280
Permanent Fund Purposes:			
Expendable	16,339	-	16,339
Nonexpendable	16,082	-	16,082
Other Purposes	346,681	-	346,681
Unrestricted	<u>2,654,700</u>	<u>1,225,479</u>	<u>3,880,179</u>
Total Net Position	\$ <u><u>4,081,438</u></u>	\$ <u><u>1,225,479</u></u>	\$ <u><u>5,306,917</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, 2015

	Cash Disbursements	Program Cash Receipts	
		Charges for Services Activities	Capital Grants and Special Assessments
Governmental Activities:			
General Government	\$ 1,307,157	\$ 539,014	\$ -
Security of Persons and Property	3,228,260	865,875	-
Public Health Services	486,373	67,900	-
Leisure Time Activities	102,480	-	-
Community Development	178,636	-	-
Basic Utilities	273,202	-	-
Transportation	1,428,751	-	10,528
Principal Retirement	226,339	-	-
Interest and Fiscal Charges	20,540	-	-
Total Governmental Activities	<u>7,251,738</u>	<u>1,472,789</u>	<u>10,528</u>
Business-Type Activity:			
Water	1,758,156	1,458,372	-
Sewer	<u>1,584,181</u>	<u>1,126,713</u>	-
Total Business-Type Activities	<u>3,342,337</u>	<u>2,585,085</u>	-
Total	\$ <u>10,594,075</u>	\$ <u>4,057,874</u>	\$ <u>10,528</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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (768,143)	\$ -	\$ (768,143)
(2,362,385)	-	(2,362,385)
(418,473)	-	(418,473)
(102,480)	-	(102,480)
(178,636)	-	(178,636)
(273,202)	-	(273,202)
(1,418,223)	-	(1,418,223)
(226,339)	-	(226,339)
(20,540)	-	(20,540)
<u>(5,768,421)</u>	<u>-</u>	<u>(5,768,421)</u>
-	(299,784)	(299,784)
<u>-</u>	<u>(457,468)</u>	<u>(457,468)</u>
<u>-</u>	<u>(757,252)</u>	<u>757,252</u>
<u>(5,768,421)</u>	<u>(757,252)</u>	<u>(6,525,673)</u>
1,329,865	-	1,329,865
166,554	-	166,554
3,634,163	-	3,634,163
855,538	5,920	861,458
8,643	-	8,643
140,000	-	140,000
<u>107,851</u>	<u>6,801</u>	<u>114,652</u>
<u>6,242,614</u>	<u>12,721</u>	<u>6,255,335</u>
474,193	(744,531)	(270,338)
<u>3,607,245</u>	<u>1,970,010</u>	<u>5,577,255</u>
\$ <u>4,081,438</u>	\$ <u>1,225,479</u>	\$ <u>5,306,917</u>

Village of Chagrin Falls

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2015

	<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	\$ 2,479,465	\$ 210,350	\$ 988,280	\$ 168,966	\$ 3,847,061
Total Assets	<u>\$ 2,479,465</u>	<u>\$ 210,350</u>	<u>\$ 988,280</u>	<u>\$ 168,966</u>	<u>\$ 3,847,061</u>
Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	210,350	286,473	152,884	649,707
Committed	-	-	26,598	-	26,598
Assigned	31,266	-	675,209	-	706,475
Unassigned	<u>2,448,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,448,199</u>
Total Fund Balances	<u>\$ 2,479,465</u>	<u>\$ 210,350</u>	<u>\$ 988,280</u>	<u>\$ 168,966</u>	<u>\$ 3,847,061</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, 2015

Total Governmental Fund Balances \$ 3,847,061

*Amounts reported for governmental activities in the Statement of
Net Position – Cash Basis 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	\$ 292,971	
Internal Balances	<u>(58,594)</u>	<u>234,377</u>

Net Position of Governmental Activities \$ 4,081,438

Village of Chagrin Falls

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

For the Year Ended December 31, 2015

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	\$ 1,279,901	\$ -	\$ -	\$ 216,518	\$ 1,496,419
Municipal Income Taxes	3,089,666	544,497	-	-	3,634,163
Special Assessments	-	-	10,528	-	10,528
Charges for Services	1,261,747	-	-	-	1,261,747
Fines, Licenses and Permits	201,036	-	-	-	201,036
Intergovernmental	266,985	275,943	256,000	56,610	855,538
Earnings on Investments	6,191	-	-	2,452	8,643
Miscellaneous	81,569	8,902	-	17,380	107,851
Total Receipts	<u>6,187,095</u>	<u>829,342</u>	<u>266,528</u>	<u>292,960</u>	<u>7,575,925</u>
Disbursements:					
Current:					
General Government	1,182,123	-	-	22,652	1,204,775
Security of Persons and Property	3,124,874	-	-	75,415	3,200,289
Public Health Services	485,824	-	-	-	485,824
Leisure Time Activities	95,129	-	-	-	95,129
Community Development	178,636	-	-	-	178,636
Basic Utilities	273,202	-	-	-	273,202
Transportation	69,774	865,080	-	-	934,854
Capital Outlay	82,350	5,091	531,760	-	619,201
Debt Service:					
Principal Retirement	-	-	32,339	194,000	226,339
Interest and Fiscal Charges	-	-	-	20,540	20,540
Total Disbursements	<u>5,491,912</u>	<u>870,171</u>	<u>564,099</u>	<u>312,607</u>	<u>7,238,789</u>
Excess of Receipts Over (Under) Disbursements	<u>695,183</u>	<u>(40,829)</u>	<u>(297,571)</u>	<u>(19,647)</u>	<u>337,136</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	140,000	-	-	-	140,000
Transfers In	-	130,000	-	20,000	150,000
Transfers Out	(150,000)	-	-	-	(150,000)
Other Financing Uses	(12,949)	-	-	-	(12,949)
Total Other Financing Sources (Uses)	<u>(22,949)</u>	<u>130,000</u>	<u>-</u>	<u>20,000</u>	<u>127,051</u>
Net Change in Fund Balances	672,234	89,171	(297,571)	353	464,187
Fund Balances, Beginning 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>
Fund Balances, End of Year	\$ <u>2,479,465</u>	\$ <u>210,350</u>	\$ <u>988,280</u>	\$ <u>168,966</u>	\$ <u>3,847,061</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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 464,187

*Amounts reported for governmental activities in the
Statement of Activities – Cash Basis 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	\$ 12,508	
Internal Balances	<u>(2,502)</u>	<u>10,006</u>

Change in Net Position of Governmental Activities \$ 474,193

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$ 1,409,945	\$ 1,409,945	\$ 1,279,901	\$ (130,044)
Municipal Income Taxes	2,430,940	2,921,460	3,089,666	168,206
Intergovernmental	210,063	252,450	266,985	14,535
Charges for Services	992,739	1,193,056	1,261,747	68,691
Fines, Licenses and Permits	158,175	190,091	201,036	10,945
Earnings on Investments	4,878	5,862	6,200	338
Miscellaneous	<u>57,727</u>	<u>69,375</u>	<u>73,369</u>	<u>3,994</u>
Total receipts	<u>5,264,467</u>	<u>6,042,239</u>	<u>6,178,904</u>	<u>136,665</u>
Disbursements:				
Current:				
General Government	1,187,051	1,209,000	1,182,123	26,877
Security of Persons and Property	3,944,791	3,340,000	3,124,874	215,126
Public Health Services	471,120	535,000	485,824	49,176
Leisure Time Activities	95,910	105,000	95,129	9,871
Community Development	217,220	250,000	178,636	71,364
Basic Utilities	275,305	300,000	273,202	26,798
Transportation	65,205	95,000	69,774	25,226
Capital Outlay	<u>234,700</u>	<u>250,000</u>	<u>82,350</u>	<u>167,650</u>
Total Disbursements	<u>6,491,302</u>	<u>6,084,000</u>	<u>5,491,912</u>	<u>592,088</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,226,835)</u>	<u>(41,761)</u>	<u>686,992</u>	<u>728,753</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	110,152	132,378	140,000	7,622
Transfers Out	(130,000)	(180,000)	(150,000)	30,000
Other Financing Uses	<u>(8,000)</u>	<u>(20,000)</u>	<u>(12,949)</u>	<u>7,051</u>
Total Other Financing Sources (Uses)	<u>(27,848)</u>	<u>(67,622)</u>	<u>(22,949)</u>	<u>44,673</u>
Net Change in Fund Balance	(1,254,683)	(109,383)	664,043	773,426
Fund Balance, Beginning of Year	<u>1,756,280</u>	<u>1,756,280</u>	<u>1,756,280</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>501,597</u>	\$ <u>1,646,897</u>	\$ <u>2,420,323</u>	\$ <u>773,426</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
Municipal Income Taxes	\$ 472,709	\$ 525,233	\$ 544,497	\$ 19,264
Intergovernmental	239,562	266,180	275,943	9,763
Miscellaneous	<u>7,728</u>	<u>8,587</u>	<u>8,902</u>	<u>315</u>
Total receipts	<u>719,999</u>	<u>800,000</u>	<u>829,342</u>	<u>29,342</u>
Disbursements:				
Current:				
Transportation	927,730	993,155	865,080	128,075
Capital Outlay	<u>5,460</u>	<u>5,845</u>	<u>5,091</u>	<u>754</u>
Total Disbursements	<u>933,190</u>	<u>999,000</u>	<u>870,171</u>	<u>128,829</u>
Excess of Receipts (Under) Disbursements	(213,191)	(199,000)	(40,829)	158,171
Other Financing Sources:				
Transfers In	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Net Change in Fund Balance	(83,191)	(69,000)	89,171	158,171
Fund Balance, Beginning of Year	<u>121,179</u>	<u>121,179</u>	<u>121,179</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>37,988</u>	\$ <u>52,179</u>	\$ <u>210,350</u>	\$ <u>158,171</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, 2015

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>470,521</u>	\$ <u>696,364</u>	\$ <u>1,166,885</u>	\$ <u>292,971</u>
Total Assets	<u>470,521</u>	<u>696,364</u>	<u>1,166,885</u>	<u>292,971</u>
Net Position:				
Unrestricted	<u>470,521</u>	<u>696,364</u>	<u>1,166,885</u>	<u>292,971</u>
	\$ <u>470,521</u>	\$ <u>696,364</u>	<u>1,166,885</u>	\$ <u>292,971</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>58,594</u>	
Net Position of Business-Type activities			\$ <u>1,225,479</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, 2015

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,458,372	\$ 1,126,713	\$ 2,585,085	\$ 360,140
Miscellaneous	<u>6,254</u>	<u>-</u>	<u>6,254</u>	<u>5,462</u>
Total Operating Receipts	<u>1,464,626</u>	<u>1,126,713</u>	<u>2,591,339</u>	<u>365,602</u>
Operating Disbursements:				
Personal Services	436,010	786,461	1,222,471	54,488
Contractual Services	1,195,105	391,943	1,587,048	29,463
Materials and Supplies	84,115	138,977	223,092	88,233
Other	<u>26,189</u>	<u>263,446</u>	<u>289,635</u>	<u>180,910</u>
Total Operating Disbursements	<u>1,741,419</u>	<u>1,580,827</u>	<u>3,322,246</u>	<u>353,094</u>
Operating Income (Loss)	<u>(276,793)</u>	<u>(454,114)</u>	<u>(730,907)</u>	<u>12,508</u>
Non-Operating Receipts (Disbursements):				
Intergovernmental	5,920	-	5,920	-
Principal Retirement	<u>(17,441)</u>	<u>(4,605)</u>	<u>(22,046)</u>	<u>-</u>
Total Non-Operating Receipts (Disbursements)	<u>(11,521)</u>	<u>(4,605)</u>	<u>(16,126)</u>	<u>-</u>
Change in Net Position	(288,314)	(458,719)	(747,033)	12,508
Net Position, Beginning of Year	<u>758,835</u>	<u>1,155,083</u>		<u>280,463</u>
Net Position, End of Year	\$ <u>470,521</u>	\$ <u>696,364</u>		\$ <u>292,971</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			<u>2,502</u>	
Change in Net Position of Business-Type activities			\$ <u>(744,531)</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, 2015

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>124,264</u>
Net Position:	
Unrestricted	\$ <u>124,264</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, 2016 and 2015

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.

The Village participates in a public entity risk pool and jointly governed organizations. Notes 13 and 15 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.

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 – Cash Basis and a Statement of Activities – Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis 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 – Cash Basis presents the cash and investment balances of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each program or function of the Village’s governmental activities 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, and receipts of interest earned on grants required to be used to support 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 program or business 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 in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental 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 fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

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

B. Fund Accounting

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. 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 receipts that are restricted for the acquisition or construction of Village capital projects.

The other governmental funds of the Village account for and report 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 funds.

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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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.

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 annual limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established by Village Council 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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

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 (contra revenue), respectively.

During 2016 and 2015, the Village invested in nonnegotiable certificates of deposit and money market mutual funds. Investments are reported at cost, except for the money market mutual fund. The Village’s money market mutual fund investments are recorded at the amount reported by the respective banking institutions as of December 31, 2016 and 2015.

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 2016 and 2015 were \$27,587 and \$6,191 respectively.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are 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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies (continued)

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 8 and 9, the employer contributions include portions for pension benefits and for post-employment health care benefits.

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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies (continued)

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.

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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

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. Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities – Cash Basis. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 3: Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Street Construction Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement. There was no difference between the budgetary basis and the cash basis in the Street Construction Maintenance and Repair Fund.

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2016 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Cash basis	\$ 805,672	\$ 29,854
Increase due to:		
Activity of Funds Reclassified for Cash Reporting Purposes	<u>22,098</u>	<u>-</u>
Budgetary basis	<u>\$ 827,770</u>	<u>\$ 29,854</u>

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2015 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Cash basis	\$ 672,234	\$ 89,171
Increase due to:		
Activity of Funds Reclassified for Cash Reporting Purposes	<u>(8,191)</u>	<u>-</u>
Budgetary basis	<u>\$ 664,043</u>	<u>\$ 89,171</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 4: Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 4: Deposits and Investments (continued)

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At December 31, 2016, the Village had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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% 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, 2016 and 2015, the Village had book balances of \$5,844,459 and \$5,431,181, respectively. Of the Village's 2016 bank balance of \$5,876,483, \$3,726,585 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 2015 bank balance of \$5,487,472, \$3,380,234 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% of the deposits being secured.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 4: Deposits and Investments (continued)

Investments

As of December 31, 2016 and December 31, 2015, the Village had only cash and cash equivalents.

Note 5: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. In 2016, 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	-	240,204	-	-	240,204
Police Operations	-	-	-	20,287	20,287
Police and Fire Pension	-	-	-	3,600	3,600
Safe Routes to School Program	-	-	-	21,497	21,497
Parks Maintenance	-	-	-	14,702	14,702
Issue II Projects	-	-	147,172	-	147,172
Cemetery	-	-	-	16,339	16,339
Debt Service	-	-	-	67,816	67,816
Total Restricted	<u>-</u>	<u>240,204</u>	<u>147,172</u>	<u>144,241</u>	<u>531,617</u>
Assigned to:					
Construction of Various Projects	-	-	402,449	-	402,449
Earned Interest	155	-	-	-	155
Giles Foundation	1,963	-	-	-	1,963
Total Assigned	<u>2,118</u>	<u>-</u>	<u>402,449</u>	<u>-</u>	<u>404,567</u>
Unassigned	<u>3,283,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,283,019</u>
Total Fund Balances, December 31	\$ <u>3,285,137</u>	\$ <u>240,204</u>	\$ <u>549,621</u>	\$ <u>160,323</u>	\$ <u>4,235,285</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 5: Fund Balance (continued)

In 2015, 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	-	210,350	256,000	-	466,350
Police Operations	-	-	-	29,023	29,023
Police and Fire Pension	-	-	-	19,376	19,376
Safe Routes to School Program	-	-	-	14,088	14,088
Parks Maintenance	-	-	-	14,702	14,702
Issue II Projects	-	-	30,473	-	30,473
Cemetery	-	-	-	16,339	16,339
Debt Service	-	-	-	59,356	59,356
Total Restricted	<u>-</u>	<u>210,350</u>	<u>286,473</u>	<u>152,884</u>	<u>649,707</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	-	-	675,209	-	675,209
Earned Interest	31	-	-	-	31
Giles Foundation	31,235	-	-	-	31,235
Total Assigned	<u>31,266</u>	<u>-</u>	<u>675,209</u>	<u>-</u>	<u>706,475</u>
Unassigned	<u>2,448,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,448,199</u>
Total Fund Balances, December 31	\$ <u>2,479,465</u>	\$ <u>210,350</u>	\$ <u>988,280</u>	\$ <u>168,966</u>	\$ <u>3,847,061</u>

Note 6: Income Taxes

The Village levies a 1.5% 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% of the 1.5% 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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 7: Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received in 2016 (2015) for real and public utility property taxes represents collections of the 2015 (2014) taxes.

2016 (2015) real property taxes are levied after October 1, 2015 (2014) on the assessed values as of January 1, 2015 (2014), the lien date. Assessed values for real property taxes are established by State statute at 35% 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% of true value. 2016 (2015) public utility property taxes which became a lien on December 31, 2015 (2014), are levied after October 1, 2015 (2014), and are collected in 2017 (2016) with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016 (2015), was \$9.30 (9.40) per \$1,000 of assessed value. The assessed values of real and personal property upon which 2016 (2015) property tax receipts were based are as follows:

	<u>2016</u>	<u>2015</u>
Real Property:		
Residential/Agricultural	\$ 171,347,740	\$ 161,196,650
Commercial/Industrial/Mineral	26,771,220	26,823,090
Tangible Personal Property:		
Public Utility	<u>2,085,810</u>	<u>2,059,070</u>
Total Assessed Value	<u>\$ 200,204,770</u>	<u>\$ 190,078,810</u>

Note 8: Defined Benefit Pension Plans

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 8: Defined Benefit Pension Plans (continued)

A. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of	Formula: 2.2% of FAS multiplied by years of	Formula: 2.2% of FAS multiplied by years of

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 8: Defined Benefit Pension Plans (continued)

A. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows

	<u>State and Local</u>
2016 and 2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 and 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

In 2016 and 2015, the Village's contractually required contribution, net of post-employment health care benefits was \$248,933 and \$326,413, respectively. The Village made no contributions to the member-directed plan in 2016 and \$100 in 2015.

B. Plan Description – Ohio Police and Fire Pension Fund (OP&F)

Plan Description – Village employees participate in 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 ORC.

OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 8: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Police and Fire Pension Fund (OP&F) (continued)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	<u>Police</u>
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>
Employee	12.25%

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 8: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Police and Fire Pension Fund (OP&F) (continued)

	<u>Police</u>
2015 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u><u>19.50 %</u></u>

Employer contribution rates are expressed as a percentage of covered payroll.

In 2016 and 2015, the Village's contractually required contribution was \$186,595 and \$172,008, respectively, net of post-employment health care benefits.

Note 9: Post-Employment Benefits

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 9: Post-Employment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

The ORC permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The ORC provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC33. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both the Traditional Pension and Combined plans. The Board 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0%.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended 2016, 2015, and 2014 were \$41,469, \$54,377 and \$47,196, respectively; 88.80% has been contributed for 2016 and 100% for 2015 and 2014.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 9: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund

Plan Description – 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 postretirement 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 Government Accounting Standards Board (GASB) Statement No. 45.

The ORC 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 ORC.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC 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, 19.5% of covered payroll for police. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police 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 an IRS Code Section 115 trust and one 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 ORC 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 0.5% of covered payroll from January 1, 2015 thru December 31, 2015. 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 Sections 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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 9: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Village's contributions for health care for the years ending December 31, 2016, 2015, and 2014 were \$4,981, \$4,592, and \$4,480, respectively; 89.20% has been contributed for 2016 and 100% for 2015 and 2014.

Note 10: 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>Original Issuance</u>
General Obligation Bonds:			
Refunded Streetscape Bond	2014	2.750%	\$ 940,000
Ohio Public Works Commission Loans:			
Ridegwood 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
Mill Street Stabilization	2016	0.000%	122,024
Solon Road Watermain Repair	2013	0.000%	523,240
WWTP Renovation	2008	0.000%	92,090

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 10: Debt (continued)

The Village's long-term debt activity for the years ended December 31, 2016 and 2015, was as follows:

<u>December 31, 2016</u>	<u>Debt Outstanding 12/31/2015</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>General Obligation Bonds:</i>					
Refunded Streetscape Bond	\$ 558,000	\$ -	\$ 196,000	\$ 362,000	\$ 203,000
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	42,339	-	14,114	28,225	14,114
West Washington Watermain Replacement	42,599	-	5,325	37,274	5,325
Falls Road Water System Improvement	109,650	-	12,900	96,750	12,900
Mill Street Stabilization	-	122,024	2,034	119,990	4,068
Total Ohio Public Works Commission	<u>194,588</u>	<u>122,024</u>	<u>34,373</u>	<u>282,239</u>	<u>36,407</u>
Total Governmental Activities	<u>752,588</u>	<u>122,024</u>	<u>230,373</u>	<u>644,239</u>	<u>239,407</u>
Business-Type Activities:					
<i>Ohio Public Works Commission Loan:</i>					
Solon Road Watermain Repair	488,358	-	17,441	470,917	17,441
WWTP Renovation	<u>55,251</u>	<u>-</u>	<u>4,604</u>	<u>50,647</u>	<u>4,604</u>
Total Business-Type Activities	<u>543,609</u>	<u>-</u>	<u>22,045</u>	<u>521,564</u>	<u>22,045</u>
Total Village	<u>\$ 1,296,197</u>	<u>\$ 122,024</u>	<u>\$ 252,418</u>	<u>\$ 1,165,803</u>	<u>\$ 261,452</u>
<u>December 31, 2015</u>	<u>Debt Outstanding 12/31/2014</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>General Obligation Bonds:</i>					
Refunded Streetscape Bond	\$ 752,000	\$ -	\$ 194,000	\$ 558,000	\$ 196,000
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	56,453	-	14,114	42,339	14,114
West Washington Watermain Replacement	47,924	-	5,325	42,599	5,325
Falls Road Water System Improvement	122,550	-	12,900	109,650	12,900
Total Ohio Public Works Commission	<u>226,927</u>	<u>-</u>	<u>32,339</u>	<u>194,588</u>	<u>32,339</u>
Total Governmental Activities	<u>978,927</u>	<u>-</u>	<u>226,339</u>	<u>752,588</u>	<u>228,339</u>
Business-Type Activities:					
<i>Ohio Public Works Commission Loan:</i>					
Solon Road Watermain Repair	505,799	-	17,441	488,358	17,441
WWTP Renovation	<u>59,856</u>	<u>-</u>	<u>4,605</u>	<u>55,251</u>	<u>4,604</u>
Total Business-Type Activities	<u>565,655</u>	<u>-</u>	<u>22,046</u>	<u>543,609</u>	<u>22,045</u>
Total Village	<u>\$ 1,544,582</u>	<u>\$ -</u>	<u>\$ 248,385</u>	<u>\$ 1,296,197</u>	<u>\$ 250,384</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 10: Debt (continued)

The Ohio Public Works Commission (OPWC) loans relate to road, sewer and watermain rehabilitation projects. These loans are interest free. The 1998 Ridewood 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 2013 Solon Road Watermain Repair OPWC loan was for \$523,240 and will be repaid in semiannual installments of \$8,721 over 20 years. The 2016 Mill Street Stabilization OPWC loan was for \$122,024 and will be repaid in semiannual installments of \$2,034 over 30 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 five years with corresponding interest payments being paid semi-annually.

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

Year	Refunded Streetscape G.O. Bonds		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2017	203,000	9,955	58,452	261,452	9,955
2018	159,000	4,373	58,449	217,449	4,373
2019	-	-	44,338	44,338	-
2020	-	-	44,338	44,338	-
2021	-	-	44,338	44,338	-
2022-2026	-	-	173,464	173,464	-
2027-2031	-	-	112,146	112,146	-
2032-2036	-	-	107,544	107,544	-
2037-2041	-	-	107,544	107,544	-
2042-2046	-	-	53,190	53,190	-
Total	\$ <u>362,000</u>	\$ <u>14,328</u>	\$ <u>803,803</u>	\$ <u>1,165,803</u>	\$ <u>14,328</u>

The ORC 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% of the tax valuation of the Village. The ORC 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% of its tax valuation. The effects of the debt limitations at December 31, 2016, were an overall debt margin of \$20,967,451 and an unvoted debt margin of \$11,069,231. The effects of the debt limitations at December 31, 2015, were an overall debt margin of \$20,522,857 and an unvoted debt margin of \$10,951,906.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 11: Interfund Transfers

During 2016, the Village transferred \$200,000 to the Street Construction Maintenance and Repair Fund from the General Fund. The Village also transferred \$100,000 to the General Permanent Improvement Fund from the General Fund. All transfers were in accordance with budgetary authorizations.

During 2015, the Village transferred \$130,000 to the Street Construction Maintenance and Repair Fund from the General Fund. The Village also transferred \$20,000 to the Police Pension Fund from the General Fund. All transfers were in accordance with budgetary authorizations.

Note 12: 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.

Note 13: 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, 2016 and December 31, 2015, the Village paid \$69,417 and \$76,198, 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.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 13: Risk Management (continued)

B. Worker's Compensation

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

Note 14: 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 \$171,828 and \$93,446 to CT Consultants during 2016 and 2015, respectively.

Note 15: 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 ORC. 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 members in 200 communities in 13 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 2016 or 2015. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Solon, Ohio 44139.

B. Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments which operates the Chagrin/Southeast HazMat Response Team (the "Team"). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Village contributed to the organization \$3,500 in 2016 and 2015, respectively. 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, 2016 and 2015

Note 15: 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 ORC. 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. The Village contributed to the organization \$7,000 in 2016 and 2015.

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 ORC. 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 13 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 ORC. 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 2016 and 2015, the Village contributed \$183,054 and \$180,479, respectively, to the CVD.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 16: Lease

The Village entered into a 120 month lease agreement as a lessee for financing, a fire truck to be used within the Village, commencing August 2014. The total rental expense for the year ended December 31, 2016, was \$64,331. Future minimum payments for the remaining lease terms in excess of one year for the years ending December 31 are as follows:

2017	\$	64,331
2018		64,331
2019		64,331
2020		64,331
2021		64,331
2022-2026		<u>176,910</u>
Total	\$	<u>498,565</u>

Note 17: Subsequent Event

Effective January 1, 2017, the Village's income tax rate increased from 1.50% to 1.85%.

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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 cash basis 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 13, 2018, 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. We consider finding 2016-001 to be a significant deficiency.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.ohioauditor.gov

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2018

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Financial Reporting – Significant Deficiency

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

In its 2016 financial statements, the Village misposted \$196,000 in Principal Retirement disbursements as Capital Outlay disbursements and \$15,078 in Interest and Fiscal Charges disbursements as Principal Retirement disbursements in its Other Governmental Funds, respectively. 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.

Officials' Response: This finding is the result of a transcription error that occurred in transferring balances from the Village's accounting system to the reports submitted to the HINKLE System. The amounts were properly recorded in the Village's accounting system. The Finance Department is analyzing its financial reporting procedures to improve the process of verifying that information from the accounting system is properly reported on the Village's financial statements.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Financial Reporting	Partially Corrected	Specific reporting issue corrected, but overall issue repeated as Finding Number 2016-001



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VILLAGE OF CHAGRIN FALLS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 27, 2018