



**Mary Taylor, CPA**  
Auditor of State



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

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CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio, as of December 31, 2008 and December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction Maintenance and Repair, and Cemetery Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

September 11, 2009

Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited

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This discussion and analysis of the Village of Chagrin Falls' financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2008 and December 31, 2007, 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 2008, net assets of governmental activities decreased \$824,164 or 16.5 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Cemetery Fund, which realized the greatest burden of increased costs in 2008 due to a transfer out of the fund in preparation for it to be eliminated. In 2007, net assets of governmental activities decreased \$20,108, a 0.4 percent change from the prior year.
- The Village's general receipts are primarily property and income taxes. These receipts represent respectively 22 and 41 percent of the total cash received for governmental activities during 2008, and 22 and 41 percent, respectively, of the total cash received for governmental activities during 2007. Property and income tax receipts for 2008 changed very little compared to 2007 as development within the Village has slowed.
- In 2008, net assets of proprietary activities decreased \$513,488 or 14 percent from the prior year while in 2007, net assets of proprietary activities decreased \$329,111 or an 8 percent change from the prior year. These decreases were due to the use of accumulated funds in the Sewer Fund that were used to fund major renovations to the Wastewater Treatment Plant.
- On November 4, 2008, Village voters approved a 5.5 mill General Fund replacement levy. This levy will generate an additional \$400,000 annually for five years, beginning in 2010.

### **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 assets and the statement of activities provide information about the cash activities of the Village as a whole.

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

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

#### **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.

Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

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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**

The statement of net assets and the statement of activities reflect how the Village did financially during 2008 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business type activity. The Village has two business-type activities, the provision of water and sanitary sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

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

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 nonmajor 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, Cemetery, 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.



Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

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Proprietary 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. 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.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 and 2007 compared to 2006 on a cash basis:

(Table 1)

**Governmental Net Assets**

	2008	2007	2006
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,150,643	\$4,974,807	\$4,994,914
Total Assets	<u>\$4,150,643</u>	<u>\$4,974,807</u>	<u>\$4,994,914</u>
<b>Net Assets</b>			
Restricted for:			
Debt Service	\$231,514	\$228,348	\$194,711
Capital Outlay	667,141	708,901	938,224
Other Purposes	1,046,316	1,758,084	2,173,229
Unrestricted	<u>2,205,672</u>	<u>2,279,474</u>	<u>1,688,750</u>
Total Net Assets	<u>\$4,150,643</u>	<u>\$4,974,807</u>	<u>\$4,994,914</u>

Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

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(Table 1)  
(Continued)

**Business-Type Net Assets**

	2008	2007	2006
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,072,005	\$3,585,493	\$3,914,604
Total Assets	\$3,072,005	\$3,585,493	\$3,914,604
<b>Net Assets</b>			
Unrestricted	\$3,072,005	\$3,585,493	\$3,914,604
Total Net Assets	\$3,072,005	\$3,585,493	\$3,914,604

Net assets of governmental activities decreased \$824,164 or 16.5 percent during 2008 and \$20,108 or 0.4 percent during 2007. The primary reason contributing to the decreases in cash balances was due to the difficult economic conditions in Northeast Ohio.

Net assets of business-type activities decreased \$513,488 or 14 percent during 2008 and \$329,111 or 8 percent during 2007. The primary reason contributing to the decreases in cash balances was the \$1.2 million renovation of the Wastewater Treatment Plant.

Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

Table 2 reflects the changes in net assets on a cash basis in 2008, 2007 and 2006 for governmental activities.

(Table 2)

**Changes in Governmental Net Assets**

	2008	2007	2006
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$858,435	\$764,396	\$747,345
Operating Grants and Special Assessments	42,395	40,949	18,085
Capital Grants and Contributions	56,907	57,516	627,817
Total Program Receipts	<u>957,737</u>	<u>862,861</u>	<u>1,393,247</u>
General Receipts:			
Property Taxes	1,428,101	1,537,230	1,410,219
Municipal Income Taxes	2,653,081	2,831,192	2,693,242
Grants and Entitlements Not Restricted to Specific Programs	956,119	1,305,740	961,532
Proceeds from OPWC Loans	0	0	65,736
Interest	191,862	318,712	317,047
Miscellaneous	243,737	128,490	120,901
Total General Receipts	<u>5,472,900</u>	<u>6,121,364</u>	<u>5,568,677</u>
Total Receipts	<u>6,430,637</u>	<u>6,984,225</u>	<u>6,961,924</u>
Disbursements:			
General Government	1,206,705	1,300,357	1,217,541
Security of Persons and Property	2,561,055	2,282,671	2,256,952
Public Health Services	472,424	415,672	390,215
Leisure Time Activities	94,026	90,794	140,776
Community Development	217,438	200,923	215,893
Basic Utilities	426,899	307,370	265,321
Transportation	1,625,064	1,791,372	2,809,011
Principal Retirement	472,339	415,000	442,339
Interest and Fiscal Charges	178,851	200,174	220,651
Total Disbursements	<u>7,254,801</u>	<u>7,004,333</u>	<u>7,958,699</u>
Increase (Decrease) in Net Assets	(824,164)	(20,108)	(996,775)
Net Assets, January 1 - Restated	<u>4,974,807</u>	<u>4,994,915</u>	<u>5,991,690</u>
Net Assets, December 31	<u><u>\$4,150,643</u></u>	<u><u>\$4,974,807</u></u>	<u><u>\$4,994,915</u></u>

Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

(Table 2)  
(Continued)

**Changes in Business-Type Net Assets**

	2008	2007	2006
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$2,467,940	\$2,619,802	\$2,372,859
Capital Grants and Special Assessments	\$0	\$180,910	\$0
Total Program Receipts	<u>2,467,940</u>	<u>2,800,712</u>	<u>2,372,859</u>
General Receipts:			
Proceeds from OPWC Loans	60,138	31,952	0
Interest	134,575	215,203	232,786
Miscellaneous	24,985	23,626	6,518
Total General Receipts	<u>219,698</u>	<u>270,781</u>	<u>239,304</u>
Total Receipts	<u>2,687,638</u>	<u>3,071,493</u>	<u>2,612,163</u>
Disbursements:			
Water	1,442,672	1,367,733	1,278,774
Sewer	1,758,454	2,032,871	1,210,573
Total Disbursements	<u>3,201,126</u>	<u>3,400,604</u>	<u>2,489,347</u>
Increase (Decrease) in Net Assets	(513,488)	(329,111)	122,816
Net Assets, January 1 - Restated	<u>3,585,493</u>	<u>3,914,604</u>	<u>3,791,788</u>
Net Assets, December 31	<u>\$3,072,005</u>	<u>\$3,585,493</u>	<u>\$3,914,604</u>

**Governmental Funds:**

Program receipts of governmental activities represent only 14.9 percent in 2008 and 12.35 percent in 2007 of total governmental receipts. They consisted of monies received from Chagrin Falls Township and the Villages of Bentleyville, Hunting Valley, Orange, South Russell and Woodmere for radio contracts and from ambulance service revenues.

General receipts of governmental activities represent 85.1 percent in 2008 and 87.65 percent in 2007 of the Village's total governmental receipts, and of these amounts, over 74.6 percent and 71.36 percent are property and other local taxes and income taxes, respectively. Unrestricted state and federal grants and entitlements, and investment income constitute roughly 17.5 percent of the Village's general receipts during 2008 and roughly 26.54 percent during 2007. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for governmental net assets 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, and the Chief Administrative Officer, and 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.

Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

**Business Type Funds:**

Program receipts of business-type activities represent 92 percent in 2008 and 91 percent in 2007 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 8 percent in 2008 and 9 percent in 2007 of the Village's total business-type receipts. The general receipts for business-type activities are made of interest, proceeds from OPWC loans and miscellaneous revenues.

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

**Governmental Activities**

If you look at the Statement of Activities on pages 12 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 35 and 22 percent of all governmental disbursements in 2008, and 33 and 26 percent of all government disbursements in 2007, respectively. General government also represents a significant cost, about 17 percent in 2008 and 19 percent in 2007, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>					
	Total Cost	Net Cost	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services	of Services	of Services
	2008	2008	2007	2007	2006	2006
General Government	\$1,206,705	(\$948,608)	\$1,300,357	(\$1,094,482)	\$1,217,541	(\$1,126,025)
Security of Persons and Prop.	2,561,055	(2,037,073)	2,282,671	(1,792,555)	2,256,952	(1,773,714)
Public Health Services	472,424	(353,673)	415,672	(306,318)	390,215	(292,512)
Leisure Time Activities	94,026	(94,026)	90,794	(90,794)	140,776	(140,776)
Community Environment	217,438	(217,438)	200,923	(200,923)	215,893	(215,893)
Basic Utilities	426,899	(426,899)	307,370	(307,370)	265,321	(265,321)
Transportation	1,625,064	(1,625,064)	1,791,372	(1,791,372)	2,809,011	(2,232,844)
Principal Retirement	472,339	(415,432)	415,000	(357,484)	442,339	(386,589)
Interest and Fiscal Charges	178,851	(178,851)	200,174	(200,174)	220,651	(220,651)
<b>Total Expenses</b>	<b>\$7,254,801</b>	<b>(\$6,297,064)</b>	<b>\$7,004,333</b>	<b>(\$6,141,472)</b>	<b>\$7,958,699</b>	<b>(\$6,654,325)</b>

The dependence upon property and income tax receipts is apparent as over 56 percent of governmental activities are supported through these general receipts during 2008 and 62 percent during 2007.

**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 (\$733,186) for 2008 and (\$599,892) for 2007.

Village of Chagrin Falls  
Management's Discussion and Analysis  
For the Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

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**The Village's Funds**

In 2008, total governmental funds had receipts of \$7,057,994 and disbursements of \$7,904,801. The greatest change within governmental funds occurred within the Cemetery Fund. The fund balance of the Cemetery Fund decreased \$477,320 as the result of a transfer out of the fund as the Village prepares to eliminate the Fund.

General Fund receipts were less than disbursements by \$73,802 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a 5.5 mill replacement levy be placed on the November 4, 2008 ballot to generate additional revenues. Village voters approved this levy, which will increase General Fund revenues by \$400,000 annually for five years beginning in 2010. The passage of this levy will not eliminate the need for spending reductions if income tax collections remain stagnant.

In 2007, total governmental funds had receipts of \$7,054,225 and disbursements of \$7,035,519. The greatest change within governmental funds occurred within the General Permanent Improvement Fund. The fund balance of the General Permanent Improvement Fund decreased \$472,102 as the result of costs of various permanent improvement projects.

**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 2008 and 2007, the Village amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant. There was minimal variance between the final budgeted expenditures and the actual expenditures.

Final disbursements were budgeted at \$5,207,985 while actual disbursements were \$4,889,814. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$73,802 for 2008.

**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, 2008, the Village's outstanding debt included \$2,925,000 in General Obligation Bonds, \$75,000 in Special Assessment Bonds, and \$508,447 in Ohio Public Works Commission interest-free loans. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

**Contacting the Village's Financial Management**

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

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2008*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,150,643	\$3,072,005	\$7,222,648
<i>Total Assets</i>	<u>\$4,150,643</u>	<u>\$3,072,005</u>	<u>\$7,222,648</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$667,141	\$0	\$667,141
Debt Service	231,514	0	231,514
Other Purposes	1,046,316	0	1,046,316
Unrestricted	<u>2,205,672</u>	<u>3,072,005</u>	<u>5,277,677</u>
<i>Total Net Assets</i>	<u>\$4,150,643</u>	<u>\$3,072,005</u>	<u>\$7,222,648</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2008*

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants
<b>Governmental Activities</b>			
General Government	\$1,206,705	\$258,097	\$0
Security of Persons and Property	2,561,055	481,587	42,395
Public Health Services	472,424	118,751	0
Leisure Time Activities	94,026	0	0
Community Environment	217,438	0	0
Basic Utility Services	426,899	0	0
Transportation	1,625,064	0	0
Principal Retirement	472,339	0	0
Interest and Fiscal Charges	178,851	0	0
<i>Total Governmental Activities</i>	7,254,801	858,435	42,395
<b>Business Type Activity</b>			
Water	1,442,672	1,318,450	0
Sewer	1,758,454	1,149,490	0
<i>Total Business Type Activities</i>	3,201,126	2,467,940	0
<b>Total</b>	<b>\$10,455,927</b>	<b>\$3,326,375</b>	<b>\$42,395</b>

**General Receipts**

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

*Total General Receipts*

Change in Net Assets

*Net Assets, Beginning of Year*

*Net Assets, End of Year*

See accompanying notes to the basic financial statements



<u>Net (Disbursements) Receipts and Changes in Net Assets</u>			
<u>Capital Grants and Special Assessments</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$0	(\$948,608)		(\$948,608)
0	(2,037,073)		(2,037,073)
0	(353,673)		(353,673)
0	(94,026)		(94,026)
0	(217,438)		(217,438)
0	(426,899)		(426,899)
0	(1,625,064)		(1,625,064)
56,907	(415,432)		(415,432)
0	(178,851)		(178,851)
56,907	(6,297,064)		(6,297,064)
0	0	(124,222)	(124,222)
0	0	(608,964)	(608,964)
0	0	(733,186)	(733,186)
<u>\$56,907</u>	<u>(6,297,064)</u>	<u>(733,186)</u>	<u>(7,030,250)</u>
	968,991		968,991
	459,110	0	459,110
	2,653,081	0	2,653,081
	956,119	0	956,119
	0	60,138	60,138
	191,862	134,575	326,437
	243,737	24,985	268,722
	<u>5,472,900</u>	<u>219,698</u>	<u>5,692,598</u>
	(824,164)	(513,488)	(1,337,652)
	<u>4,974,807</u>	<u>3,585,493</u>	<u>8,560,300</u>
	<u>\$4,150,643</u>	<u>\$3,072,005</u>	<u>\$7,222,648</u>

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2008*

	General	Street Construction Maintenance and Repair	Cemetery	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,205,672	\$30,070	\$557,335	\$667,141	\$406,873	\$3,867,091
<i>Total Assets</i>	<u>\$2,205,672</u>	<u>\$30,070</u>	<u>\$557,335</u>	<u>\$667,141</u>	<u>\$406,873</u>	<u>\$3,867,091</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,205,672	0	0	0	0	2,205,672
Special Revenue Funds	0	30,070	557,335	0	175,359	762,764
Debt Service Fund	0	0	0	0	231,514	231,514
Capital Projects Funds	0	0	0	667,141	0	667,141
<i>Total Fund Balances</i>	<u>\$2,205,672</u>	<u>\$30,070</u>	<u>\$557,335</u>	<u>\$667,141</u>	<u>\$406,873</u>	<u>\$3,867,091</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2008*

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<b>Total Governmental Fund Balances</b>	<b>\$3,867,091</b>
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***Amounts reported for governmental activities in the statement of net assets are different because***

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

Net Assets	\$354,440	
Internal Balances	<u>(70,888)</u>	
		<u>\$283,552</u>
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$4,150,643</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Street Construction Maintenance and Repair	Cemetery	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$2,262,610	\$390,471	\$0	\$0	\$0	\$2,653,081
Property and Other Local Taxes	921,497	0	0	0	506,604	1,428,101
Special Assessments	0	0	0	0	56,907	56,907
Charges for Services	736,149	0	0	0	0	736,149
Fines, Licenses and Permits	99,643	0	0	0	0	99,643
Intergovernmental	605,256	285,292	0	0	107,966	998,514
Interest	116,851	3,611	31,182	33,808	6,410	191,862
Miscellaneous	74,006	7,624	0	105,592	56,515	243,737
<i>Total Receipts</i>	<u>4,816,012</u>	<u>686,998</u>	<u>31,182</u>	<u>139,400</u>	<u>734,402</u>	<u>6,407,994</u>
<b>Disbursements</b>						
Current:						
General Government	1,128,743	0	0	0	54,713	1,183,456
Security of Persons and Property	2,354,895	0	8,502	0	86,471	2,449,868
Public Health Services	463,922	0	0	0	0	463,922
Leisure Time Activities	83,886	0	0	0	0	83,886
Community Environment	195,368	0	0	0	1,419	196,787
Basic Utility Services	426,899	0	0	0	0	426,899
Transportation	22,846	793,039	0	0	0	815,885
Capital Outlay	80,315	45,358	0	763,821	86,634	976,128
Debt Service:						
Principal Retirement	0	0	0	32,339	440,000	472,339
Interest and Fiscal Charges	0	0	0	0	178,851	178,851
<i>Total Disbursements</i>	<u>4,756,874</u>	<u>838,397</u>	<u>8,502</u>	<u>796,160</u>	<u>848,088</u>	<u>7,248,021</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>59,138</u>	<u>(151,399)</u>	<u>22,680</u>	<u>(656,760)</u>	<u>(113,686)</u>	<u>(840,027)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	35,000	0	615,000	0	650,000
Transfers Out	(130,000)	(20,000)	(500,000)	0	0	(650,000)
Other Financing Uses	(2,940)	0	0	0	(3,840)	(6,780)
<i>Total Other Financing Sources (Uses)</i>	<u>(132,940)</u>	<u>15,000</u>	<u>(500,000)</u>	<u>615,000</u>	<u>(3,840)</u>	<u>(6,780)</u>
<i>Net Change in Fund Balances</i>	<u>(73,802)</u>	<u>(136,399)</u>	<u>(477,320)</u>	<u>(41,760)</u>	<u>(117,526)</u>	<u>(846,807)</u>
<i>Fund Balances, Beginning of Year</i>	<u>2,279,474</u>	<u>166,469</u>	<u>1,034,655</u>	<u>708,901</u>	<u>524,399</u>	<u>4,713,898</u>
<i>Fund Balances, End of Year</i>	<u>\$2,205,672</u>	<u>\$30,070</u>	<u>\$557,335</u>	<u>\$667,141</u>	<u>\$406,873</u>	<u>\$3,867,091</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended December 31, 2008*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>(\$846,807)</b>
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***Amounts reported for governmental activities in the  
statement of activities are different because***

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

Change in Net Assets	\$28,304	
Internal Balances	<u>(5,661)</u>	
		<u>22,643</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$824,164)</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$1,916,801	\$2,259,762	\$2,262,610	\$2,848
Property and Other Local Taxes	780,659	920,337	921,497	1,160
Special Assessments	0	0	0	0
Charges for Services	623,639	735,222	736,149	927
Fines, Licenses and Permits	84,414	99,518	99,643	125
Intergovernmental	512,751	604,494	605,256	762
Interest	98,992	116,704	116,851	147
Miscellaneous	62,695	73,913	74,006	93
<i>Total receipts</i>	<u>4,079,950</u>	<u>4,809,950</u>	<u>4,816,012</u>	<u>6,062</u>
<b>Disbursements</b>				
Current:				
General Government	1,121,090	1,180,400	1,128,743	51,657
Security of Persons and Property	2,357,160	2,394,000	2,354,895	39,105
Public Health Services	420,020	490,500	463,922	26,578
Leisure Time Activities	65,200	85,800	83,886	1,914
Community Environment	218,600	210,000	195,368	14,632
Basic Utility Services	346,000	430,000	426,899	3,101
Transportation	19,600	25,000	22,846	2,154
Capital Outlay	62,200	83,700	80,315	3,385
<i>Total Disbursements</i>	<u>4,609,870</u>	<u>4,899,400</u>	<u>4,756,874</u>	<u>142,526</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(529,920)</u>	<u>(89,450)</u>	<u>59,138</u>	<u>148,588</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(35,000)	(303,585)	(130,000)	173,585
Other Financing Uses	(1,500)	(5,000)	(2,940)	2,060
<i>Total Other Financing Sources (Uses)</i>	<u>(36,500)</u>	<u>(308,585)</u>	<u>(132,940)</u>	<u>175,645</u>
<i>Net Change in Fund Balance</i>	(566,420)	(398,035)	(73,802)	324,233
<i>Fund Balance, Beginning of Year</i>	<u>2,279,474</u>	<u>2,279,474</u>	<u>2,279,474</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$1,713,054</u>	<u>\$1,881,439</u>	<u>\$2,205,672</u>	<u>\$324,233</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Street Fund*  
*For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$488,801	\$397,861	\$390,471	(\$7,390)
Intergovernmental	357,135	290,691	285,292	(5,399)
Interest	4,520	3,679	3,611	(68)
Miscellaneous	9,544	7,768	7,624	(144)
<i>Total receipts</i>	<u>860,000</u>	<u>699,999</u>	<u>686,998</u>	<u>(13,001)</u>
<b>Disbursements</b>				
Current:				
Transportation	802,800	834,300	793,039	41,261
Capital Outlay	37,900	45,700	45,358	342
<i>Total Disbursements</i>	<u>840,700</u>	<u>880,000</u>	<u>838,397</u>	<u>41,603</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>19,300</u>	<u>(180,001)</u>	<u>(151,399)</u>	<u>28,602</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	35,000	35,000	0
Transfers Out	(20,000)	(20,000)	(20,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(700)</u>	<u>(165,001)</u>	<u>(136,399)</u>	<u>28,602</u>
<i>Fund Balance, Beginning of Year</i>	<u>166,469</u>	<u>166,469</u>	<u>166,469</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$165,769</u>	<u>\$1,468</u>	<u>\$30,070</u>	<u>\$28,602</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Cemetery Fund*  
*For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Interest	\$50,000	\$60,000	\$31,182	(\$28,818)
<i>Total receipts</i>	<u>50,000</u>	<u>60,000</u>	<u>31,182</u>	<u>(28,818)</u>
<b>Disbursements</b>				
Security of Persons and Property	0	10,000	8,502	1,498
<i>Total Disbursements</i>	<u>0</u>	<u>10,000</u>	<u>8,502</u>	<u>1,498</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,000</u>	<u>50,000</u>	<u>22,680</u>	<u>(27,320)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(500,000)	(500,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	50,000	(450,000)	(477,320)	(27,320)
<i>Fund Balance, Beginning of Year</i>	<u>1,034,655</u>	<u>1,034,655</u>	<u>1,034,655</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$1,084,655</u>	<u>\$584,655</u>	<u>\$557,335</u>	<u>(\$27,320)</u>

See accompanying notes to the basic financial statements



**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2008*

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,094,271	\$906,846	\$3,001,117	\$354,440
<i>Total Assets</i>	<u>\$2,094,271</u>	<u>\$906,846</u>	<u>\$3,001,117</u>	<u>\$354,440</u>
<b>Net Assets</b>				
Unrestricted	\$2,094,271	\$906,846		\$354,440
	<u>\$2,094,271</u>	<u>\$906,846</u>		<u>\$354,440</u>
Net assets reported for Business Type activities in the statement of net assets are different because their share of internal service fund assets are included.			<u>70,888</u>	
Net assets of Business Type activities			<u>\$3,072,005</u>	

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Receipts,*  
*Disbursements and Changes in Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2008*

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
<b>Operating Receipts</b>				
Charges for Services	\$1,318,450	\$1,149,490	\$2,467,940	\$430,000
Other Operating Receipts	4,992	19,993	24,985	0
<i>Total Operating Receipts</i>	<u>1,323,442</u>	<u>1,169,483</u>	<u>2,492,925</u>	<u>430,000</u>
<b>Operating Disbursements</b>				
Personal Services	370,787	805,718	1,176,505	38,806
Travel Transportation	8,463	2,251	10,714	0
Contractual Services	976,665	378,088	1,354,753	42,299
Materials and Supplies	45,953	117,968	163,921	120,351
Other	43,635	452,654	496,289	200,240
Redemption of Principal	0	4,605	4,605	0
<i>Total Operating Disbursements</i>	<u>1,445,503</u>	<u>1,761,284</u>	<u>3,206,787</u>	<u>401,696</u>
<i>Operating Income (Loss)</i>	(122,061)	(591,801)	(713,862)	28,304
<b>Non-Operating Receipts</b>				
Proceeds of OPWC Loan	0	60,138	60,138	
Interest	87,638	46,937	134,575	0
<i>Change in Net Assets</i>	(34,423)	(484,726)	(519,149)	28,304
<i>Net Assets, Beginning of Year</i>	<u>2,128,694</u>	<u>1,391,572</u>		<u>326,136</u>
<i>Net Assets, End of Year</i>	<u>\$2,094,271</u>	<u>\$906,846</u>		<u>\$354,440</u>
Some amounts reported for Business Type Activities in the statement of activities are different because their share of the change in internal service fund assets are included assets are included.			<u>5,661</u>	
Change in Net Assets of Business Type activities			<u>(\$513,488)</u>	

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2008*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$90,029</u>
<i>Total Assets</i>	<u><u>\$90,029</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$90,029</u></u>

See accompanying notes to the basic financial statements

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**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,974,807	\$3,585,493	\$8,560,300
<i>Total Assets</i>	<u>\$4,974,807</u>	<u>\$3,585,493</u>	<u>\$8,560,300</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$708,901	\$0	\$708,901
Debt Service	228,348	0	228,348
Other Purposes	1,758,084	0	1,758,084
Unrestricted	2,279,474	3,585,493	5,864,967
<i>Total Net Assets</i>	<u>\$4,974,807</u>	<u>\$3,585,493</u>	<u>\$8,560,300</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants
<b>Governmental Activities</b>			
General Government	\$1,300,357	\$205,875	\$0
Security of Persons and Property	2,282,671	449,167	40,949
Public Health Services	415,672	109,354	0
Leisure Time Activities	90,794	0	0
Community Environment	200,923	0	0
Basic Utility Services	307,370	0	0
Transportation	1,791,372	0	0
Principal Retirement	415,000	0	0
Interest and Fiscal Charges	200,174	0	0
<i>Total Governmental Activities</i>	7,004,333	764,396	40,949
<b>Business Type Activity</b>			
Water	1,367,733	1,421,143	0
Sewer	2,032,871	1,198,659	0
<i>Total Business Type Activities</i>	3,400,604	2,619,802	0
<b>Total</b>	<b>\$10,404,937</b>	<b>\$3,384,198</b>	<b>\$40,949</b>

**General Receipts**

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

*Total General Receipts*

Change in Net Assets

*Net Assets, Beginning of Year - Restated*

*Net Assets, End of Year*

See accompanying notes to the basic financial statements

<u>Net (Disbursements) Receipts and Changes in Net Assets</u>			
<u>Capital Grants and Special Assessments</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$0	(\$1,094,482)	\$0	(\$1,094,482)
0	(1,792,555)	0	(1,792,555)
0	(306,318)	0	(306,318)
0	(90,794)	0	(90,794)
0	(200,923)	0	(200,923)
0	(307,370)	0	(307,370)
0	(1,791,372)	0	(1,791,372)
57,516	(357,484)	0	(357,484)
0	(200,174)	0	(200,174)
57,516	(6,141,472)	0	(6,141,472)
0	0	53,410	53,410
180,910	0	(653,302)	(653,302)
180,910	0	(599,892)	(599,892)
<u>\$238,426</u>	<u>(6,141,472)</u>	<u>(599,892)</u>	<u>(6,741,364)</u>
	1,045,710		1,045,710
	491,520	0	491,520
	2,831,192	0	2,831,192
	1,305,740	0	1,305,740
	0	31,952	31,952
	318,712	215,203	533,915
	128,490	23,626	152,116
	<u>6,121,364</u>	<u>270,781</u>	<u>6,392,145</u>
	(20,108)	(329,111)	(349,219)
	<u>4,994,915</u>	<u>3,914,604</u>	<u>8,909,519</u>
	<u>\$4,974,807</u>	<u>\$3,585,493</u>	<u>\$8,560,300</u>

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

	General	Street Construction Maintenance and Repair	Cemetery	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,279,474	\$166,469	\$1,034,655	\$708,901	\$524,399	\$4,713,898
<i>Total Assets</i>	<u>\$2,279,474</u>	<u>\$166,469</u>	<u>\$1,034,655</u>	<u>\$708,901</u>	<u>\$524,399</u>	<u>\$4,713,898</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,279,474	0	0	0	0	2,279,474
Special Revenue Funds	0	166,469	1,034,655	0	296,051	1,497,175
Debt Service Fund	0	0	0	0	228,348	228,348
Capital Projects Funds	0	0	0	708,901	0	708,901
<i>Total Fund Balances</i>	<u>\$2,279,474</u>	<u>\$166,469</u>	<u>\$1,034,655</u>	<u>\$708,901</u>	<u>\$524,399</u>	<u>\$4,713,898</u>

See accompanying notes to the basic financial statements



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2007*

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**Total Governmental Fund Balances**

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

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

Net Assets	\$326,136
Internal Balances	<u>(65,227)</u>

*Net Assets of Governmental Activities*

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

	General	Street Construction Maintenance and Repair	Cemetery	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$2,433,841	\$397,351	\$0	\$0	\$0	\$2,831,192
Property and Other Local Taxes	994,863	0	0	0	542,367	1,537,230
Special Assessments	0	0	0	0	57,516	57,516
Charges for Services	672,131	0	0	0	0	672,131
Fines, Licenses and Permits	92,265	0	0	0	0	92,265
Intergovernmental	331,709	251,601	0	664,866	98,513	1,346,689
Interest	160,637	32,600	57,625	60,685	7,165	318,712
Miscellaneous	37,070	4,505	0	9,375	77,540	128,490
<i>Total Receipts</i>	<u>4,722,516</u>	<u>686,057</u>	<u>57,625</u>	<u>734,926</u>	<u>783,101</u>	<u>6,984,225</u>
<b>Disbursements</b>						
Current:						
General Government	1,070,281	0	0	0	9,643	1,079,924
Security of Persons and Property	2,171,710	0	0	0	76,147	2,247,857
Public Health Services	415,672	0	0	0	0	415,672
Leisure Time Activities	90,033	0	0	0	0	90,033
Community Environment	200,923	0	0	0	0	200,923
Basic Utility Services	307,370	0	0	0	0	307,370
Transportation	16,968	702,714	0	0	0	719,682
Capital Outlay	43,622	14,387	0	1,024,964	0	1,082,973
Debt Service:						
Principal Retirement	0	0	0	32,339	415,000	447,339
Interest and Fiscal Charges	0	0	0	0	200,174	200,174
<i>Total Disbursements</i>	<u>4,316,579</u>	<u>717,101</u>	<u>0</u>	<u>1,057,303</u>	<u>700,964</u>	<u>6,791,947</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>405,937</u>	<u>(31,044)</u>	<u>57,625</u>	<u>(322,377)</u>	<u>82,137</u>	<u>192,278</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	50,000	0	20,000	0	70,000
Transfers Out	(50,000)	(20,000)	0	0	0	(70,000)
Other Financing Uses	(1,640)	0	0	(169,725)	(2,207)	(173,572)
<i>Total Other Financing Sources (Uses)</i>	<u>(51,640)</u>	<u>30,000</u>	<u>0</u>	<u>(149,725)</u>	<u>(2,207)</u>	<u>(173,572)</u>
<i>Net Change in Fund Balances</i>	354,297	(1,044)	57,625	(472,102)	79,930	18,706
<i>Fund Balances, Beginning of Year</i>	<u>1,925,177</u>	<u>167,513</u>	<u>977,030</u>	<u>1,181,003</u>	<u>444,469</u>	<u>4,695,192</u>
<i>Fund Balances, End of Year</i>	<u>\$2,279,474</u>	<u>\$166,469</u>	<u>\$1,034,655</u>	<u>\$708,901</u>	<u>\$524,399</u>	<u>\$4,713,898</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended December 31, 2007*

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**Net Change in Fund Balances - Total Governmental Funds**

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

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

Change in Net Assets	(\$48,517)
Internal Balances	<u>9,703</u>

*Change in Net Assets of Governmental Activities*

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$2,083,169	\$2,418,159	\$2,433,841	\$15,682
Property and Other Local Taxes	851,521	988,453	994,863	6,410
Charges for Services	575,289	667,800	672,131	4,331
Fines, Licenses and Permits	78,971	91,671	92,265	594
Intergovernmental	283,916	329,572	331,709	2,137
Interest	137,492	159,602	160,637	1,035
Miscellaneous	31,729	36,831	37,070	239
<i>Total receipts</i>	4,042,087	4,692,088	4,722,516	30,428
<b>Disbursements</b>				
Current:				
General Government	1,051,180	1,203,900	1,070,281	133,619
Security of Persons and Property	2,198,882	2,229,200	2,171,710	57,490
Public Health Services	432,194	440,500	415,672	24,828
Leisure Time Activities	146,540	92,300	90,033	2,267
Community Environment	244,680	210,600	200,923	9,677
Basic Utility Services	365,020	333,000	307,370	25,630
Transportation	19,220	18,700	16,968	1,732
Capital Outlay	61,000	49,500	43,622	5,878
<i>Total Disbursements</i>	4,518,716	4,577,700	4,316,579	261,121
<i>Excess of Receipts Over (Under) Disbursements</i>	(476,629)	114,388	405,937	291,551
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(50,000)	(50,000)	(50,000)	0
Other Financing Uses	(1,500)	(2,200)	(1,640)	560
<i>Total Other Financing Sources (Uses)</i>	(51,500)	(52,200)	(51,640)	560
<i>Net Change in Fund Balance</i>	(528,129)	62,188	354,297	292,111
<i>Fund Balance, Beginning of Year</i>	1,925,177	1,925,177	1,925,177	0
<i>Fund Balance, End of Year</i>	\$1,397,048	\$1,987,365	\$2,279,474	\$292,111

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Street Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$492,304	\$434,386	\$397,351	(\$37,035)
Intergovernmental	311,725	275,051	251,601	(23,450)
Interest	40,390	35,638	32,600	(3,038)
Miscellaneous	5,582	4,925	4,505	(420)
<i>Total receipts</i>	<u>845,001</u>	<u>750,000</u>	<u>686,057</u>	<u>(63,943)</u>
<b>Disbursements</b>				
Current:				
Transportation	725,900	803,800	702,714	101,086
Capital Outlay	22,400	18,700	14,387	4,313
<i>Total Disbursements</i>	<u>748,300</u>	<u>822,500</u>	<u>717,101</u>	<u>105,399</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>96,701</u>	<u>(72,500)</u>	<u>(31,044)</u>	<u>41,456</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	50,000	50,000	0
Transfers Out	(20,000)	(70,000)	(20,000)	50,000
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>(20,000)</u>	<u>30,000</u>	<u>50,000</u>
<i>Net Change in Fund Balance</i>	76,701	(92,500)	(1,044)	91,456
<i>Fund Balance, Beginning of Year</i>	<u>167,513</u>	<u>167,513</u>	<u>167,513</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$244,214</u>	<u>\$75,013</u>	<u>\$166,469</u>	<u>\$91,456</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Cemetery Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Interest	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$57,625</u>	<u>\$7,625</u>
<i>Total receipts</i>	<u>50,000</u>	<u>50,000</u>	<u>57,625</u>	<u>7,625</u>
<b>Disbursements</b>				
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,000</u>	<u>50,000</u>	<u>57,625</u>	<u>7,625</u>
<i>Net Change in Fund Balance</i>	50,000	50,000	57,625	7,625
<i>Fund Balance, Beginning of Year</i>	<u>977,030</u>	<u>977,030</u>	<u>977,030</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$1,027,030</u></u>	<u><u>\$1,027,030</u></u>	<u><u>\$1,034,655</u></u>	<u><u>\$7,625</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2007*

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,128,694	\$1,391,572	\$3,520,266	\$326,136
<i>Total Assets</i>	<u>\$2,128,694</u>	<u>\$1,391,572</u>	<u>\$3,520,266</u>	<u>\$326,136</u>
<b>Net Assets</b>				
Unrestricted	\$2,128,694	\$1,391,572		\$326,136
	<u>\$2,128,694</u>	<u>\$1,391,572</u>		<u>\$326,136</u>
Net assets reported for Business Type activities in the statement of net assets are different because their share of internal service fund assets and liabilities is included.			<u>65,227</u>	
Net assets of Business Type activities			<u>\$3,585,493</u>	

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Receipts,*  
*Disbursements and Changes in Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2007*

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
<b>Operating Receipts</b>				
Charges for Services	\$1,421,143	\$1,198,659	\$2,619,802	\$140,000
Intergovernmental	\$0	\$180,910	\$180,910	
Other Operating Receipts	6,430	17,196	23,626	11,680
<i>Total Operating Receipts</i>	<u>1,427,573</u>	<u>1,396,765</u>	<u>2,824,338</u>	<u>151,680</u>
<b>Operating Disbursements</b>				
Personal Services	356,358	739,717	1,096,075	33,465
Travel Transportation	4,785	3,371	8,156	0
Contractual Services	905,647	946,313	1,851,960	42,746
Materials and Supplies	48,115	93,176	141,291	101,328
Other	47,977	245,442	293,419	22,658
<i>Total Operating Disbursements</i>	<u>1,362,882</u>	<u>2,028,019</u>	<u>3,390,901</u>	<u>200,197</u>
<i>Operating Income (Loss)</i>	64,691	(631,254)	(566,563)	(48,517)
<b>Non-Operating Receipts</b>				
Interest	119,840	95,363	215,203	0
Proceeds from OPWC Loans	0	31,952	31,952	0
<i>Total Non-Operating Receipts</i>	<u>119,840</u>	<u>127,315</u>	<u>247,155</u>	<u>0</u>
<i>Change in Net Assets</i>	184,531	(503,939)	(319,408)	(48,517)
<i>Net Assets, Beginning of Year</i>	<u>1,944,163</u>	<u>1,895,511</u>		<u>374,653</u>
<i>Net Assets, End of Year</i>	<u>\$2,128,694</u>	<u>\$1,391,572</u>		<u>\$326,136</u>

Some amounts reported for Business Type Activities in the statement of activities are different because their share of the change in internal service fund assets are included assets are included.

(9,703)

Change in Net Assets of Business Type activities

(\$329,111)

See accompanying notes to the basic financial statements



**VILLAGE OF CHAGRIN FALLS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2007*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$67,392</u>
<i>Total Assets</i>	<u><u>\$67,392</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$67,392</u></u>

See accompanying notes to the basic financial statements

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**Note 1 – Reporting Entity**

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

**A. Primary Government**

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.

**B. Component Units**

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

**C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures. See Note 13 for the description of the Village's Joint Venture.

The Village participates in a jointly governed organization and a public entity risk pool. Notes 13 and 14 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:  
Northeast Ohio Public Energy Council  
Valley Enforcement Regional Council of Governments

Public Entity Risk Pool:  
Northern Ohio Risk Management Association

The financial statements exclude the following entities which perform 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:

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 2.C, these financial statements are presented on a *modified* cash basis of accounting. This *modified* cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the *modified* cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

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

Village of Chagrin Falls  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and December 31, 2007  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

B. Fund Accounting

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

Governmental Funds

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

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

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

Cemetery Fund – The Cemetery Fund is used to account for the Village monies that have been designated for the general operation of the Village's cemetery.

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

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

Village of Chagrin Falls  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and December 31, 2007  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Village of Chagrin Falls  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and December 31, 2007  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

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

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

During 2008 and 2007, the Village invested in nonnegotiable certificates of deposit, savings accounts and U.S. government securities. All investments are reported at cost.

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 2008 and 2007 were \$116,851 and \$160,637 respectively.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

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

**H. Capital Assets**

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

**I. Accumulated Leave**

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

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

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

**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 an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.



Village of Chagrin Falls  
Notes to the Financial Statements  
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**Note 2 – Summary of Significant Accounting Policies** (continued)

**L. Net Assets**

Net assets are 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.

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

**M. Fund Balance Reserves**

Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**N. Interfund Transactions**

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

**Note 3 – Change In Accounting Principle, Restatement of Fund Balance and Compliance**

**A. Change in Accounting Principal**

For 2007, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding a plan. The implementation of this statement did not result in any change to the Village's financial statements.

**B. Restatement of Fund Balance**

The Village restated the Governmental and Business Type Activities fund balances for January 1, 2007. Governmental Activities decreased by \$74,930 and the Business Type Activities were increased by the same amount to adequately reflect the percentage allocation of the Internal Service Fund Balance to the above funds.

**C. Encumbrance of Funds**

A review of expenditures in fiscal years 2008 and 2007 disclosed that 38 out of 77 (or \$198,836 out of \$1,021,311) examined were not encumbered in accordance with Ohio Revised Code Section 5705.41(D).

**Note 4 – Deposits and Investments**

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

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

Village of Chagrin Falls  
Notes to the Financial Statements  
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(Continued)

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**Note 4 - Deposits and Investments** (continued)

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

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

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

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

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

Village of Chagrin Falls  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and December 31, 2007  
(Continued)

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**Note 4 - Deposits and Investments** (continued)

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. At year end of 2008 and 2007, the Village had book balances of \$5,973,815 and \$7,161,954 respectively. Of the Village's 2008 bank balance of \$5,941,627, \$4,191,627 was uninsured and uncollateralized. Of the Village's 2007 bank balance of \$7,402,862, \$5,652,862 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

With respect to custodial risk, the Village follows 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 one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2008, the Village had the following investments:

Investment Type	Carrying Value	Investment Maturity
FHLB	\$ 236,619	13 Months
FFCB	300,409	13 Months
FHLB	300,000	5 Months
FHLB	501,834	4 Months
Total	<u>\$ 1,338,862</u>	

The weighted average maturity is 17 months.

As of December 31, 2007, the Village had the following investments:

Investment Type	Carrying Value	Investment Maturity
FHLB	\$ 408,111	9 Months
FHLB	236,619	25 Months
FHLMC	513,021	11 Months
FHLMC	307,987	11 Months
Total	<u>\$ 1,465,738</u>	

The weighted average maturity is 18 months.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates as a Charter Village, the Village's policy limits Treasury investments to maturities of no more than ten years and Agency investments that its investment manager reasonably believes will have an average life of no more than ten years.

*Credit Risk:* The Village's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Village of Chagrin Falls  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and December 31, 2007  
(Continued)

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**Note 4 - Deposits and Investments** (continued)

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

*Concentration of Risk:* The Village places no limit on the amount that may be invested in any one issuer. The Village investments in FHLB and FFCB securities represent 78% and 22% respectively, in 2008. The Village investments in FHLB and FHLMC securities represent 44% and 56% respectively, in 2007.

**Note 5 – Income Taxes**

The Village levies a 1.5 percent income tax whose proceeds are placed into the General and the Street Construction Maintenance and Repair Funds. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or .75 percent of the 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2007 (2008) for real and public utility property taxes represents collections of the 2006 (2007) taxes. Property tax payments received during 2007 (2008) for tangible personal property (other than public utility property) is for 2007 (2008) taxes.

2007 (2008) real property taxes are levied after October 1, 2007 (2008) on the assessed values as of January 1, 2007 (2008), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 (2008) real property taxes are collected in and intended to finance 2008 (2009).

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 (2008) public utility property taxes which became a lien on December 31, 2006 (2007), are levied after October 1, 2007 (2008), and are collected in 2008 (2009) with real property taxes.

2007 (2008) tangible property taxes are levied after October 1, 2006 (2007), on the value as of December 31, 2006 (2007). Collections are made in 2007 (2008). Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

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Notes to the Financial Statements  
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(Continued)

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**Note 6 – Property Taxes** (continued)

The full tax rate for all Village operations for the year ended December 31, 2007 (2008), was \$11.20 (11.20) per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 (2008) property tax receipts were based are as follows:

	<u>2008</u>		<u>2007</u>
Real Property		Real Property	
Residential/Agricultural	\$146,977,730	Residential/Agricultural	\$146,864,160
Commercial/Industrial/Mineral	29,128,750	Commercial/Industrial/Mineral	32,256,820
Tangible Personal Property		Tangible Personal Property	
Public Utility	1,395,720	Public Utility	1,322,510
Business	1,007,160	Business	2,110,970
Total Assessed Value	\$178,509,360	Total Assessed Value	\$182,554,460

**Note 7 – Defined Benefit Pension Plans**

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2008 and December 31, 2007 members in state and local classifications contributed 10 percent and 9.5 percent of covered payroll, respectively. The Village's contribution rates for 2008 and 2007 were 14 and 13.85 percent, respectively. For 2008 and 2007, a portion of the Village's contribution equal to 8.5 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$192,323, \$195,304, and \$189,737 respectively. The full amount has been contributed for 2008, 2007 and 2006. The Village made no contributions to the member-directed plan for 2008 or 2007.

**Note 7 – Defined Benefit Pension Plans** (continued)

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2008 and 2007, a portion of the Village's contribution equal to 7.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2008, 2007, and 2006 were \$82,358, \$84,638, and \$78,717. The full amount has been contributed for 2008, 2007 and 2006.

**Note 8 - Postemployment Benefits**

*Ohio Public Employees Retirement System:* OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEN benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008 and 2007, local government employer units contributed at 14 and 13.85 percent of covered payroll, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

**Note 8 - Postemployment Benefits** (continued)

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008 and 2007, the employer contribution allocated to the health care plan was 8.5 percent of covered payroll. The Village's actual contributions for 2008, 2007 and 2006 which were used to fund post-employment benefits were \$94,071, \$95,529 and \$92,806, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected.

The OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the healthcare plan.

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

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

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

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at the rate expressed as percentages of the payroll of active pension plan members, currently 19.50% of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of the 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 IRS Code Section 115 trust and the other for Medicare Part B reimbursements administered under the Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the years ended December 31, 2008 and December 31, 2007, the employer contribution allocated to the health care plan was 8.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

Village of Chagrin Falls  
Notes to the Financial Statements  
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(Continued)

**Note 8 - Postemployment Benefits** (Continued)

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the Village's contributions that was used to pay post-employment benefits for 2008, 2007 and 2006 was \$54,321, \$55,825, \$51,920, for police respectively.

**Note 9 – Debt**

The Village's long-term debt activity for the years ended December 31, 2007 and December 31, 2008, was as follows:

<u>December 31, 2007</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Amount of Original Issuance</u>	<u>Debt Outstanding 1/1/2007</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2007</u>	<u>Due Within One Year</u>
OPWC Loans	1998	0%	\$282,274	\$169,364	\$0	\$14,114	\$155,250	\$14,114
OPWC Loans	2003	0%	106,500	90,525	0	5,325	85,200	5,325
Advance Refunding G. O. Bonds	1998	6.400%	2,775,000	1,695,000	0	240,000	1,455,000	255,000
Miles Road Sewers (S/A)	1988	7.625%	260,000	45,000	0	20,000	25,000	25,000
Hickory Hill Sewers (S/A)	1992	6.030%	250,000	105,000	0	15,000	90,000	15,000
G. O. Streetscape Bonds	2003	2-4.625%	2,400,000	2,010,000	0	140,000	1,870,000	145,000
OPWC Loans	2004	0%	258,000	225,750	0	12,900	212,850	12,900
OPWC Loans	2008	0%	0	0	31,952	0	31,952	0
<b>Total</b>				<b>\$4,340,639</b>	<b>\$31,952</b>	<b>\$447,339</b>	<b>\$3,925,252</b>	<b>\$472,339</b>

<u>December 31, 2008</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Amount of Original Issuance</u>	<u>Debt Outstanding 1/1/2008</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2008</u>	<u>Due Within One Year</u>
OPWC Loans	1998	0%	\$282,274	\$155,250	\$0	\$14,114	\$141,137	\$14,114
OPWC Loans	2003	0%	106,500	85,200	0	5,325	79,875	5,325
Advance Refunding G. O. Bonds	1998	6.400%	2,775,000	1,455,000	0	255,000	1,200,000	275,000
Miles Road Sewers (S/A)	1988	7.625%	260,000	25,000	0	25,000	0	0
Hickory Hill Sewers (S/A)	1992	6.030%	250,000	90,000	0	15,000	75,000	15,000
G. O. Streetscape Bonds	2003	2-4.625%	2,400,000	1,870,000	0	145,000	1,725,000	150,000
OPWC Loans	2004	0%	258,000	212,850	0	12,900	199,950	12,900
OPWC Loans	2008	0%	92,090	31,952	60,138	4,605	87,485	4,605
<b>Total</b>				<b>\$3,925,252</b>	<b>\$60,138</b>	<b>\$476,944</b>	<b>\$3,508,447</b>	<b>\$476,944</b>

The Ohio Public Works Commission (OPWC) loans relate to road and sewer rehabilitation projects. These loans are interest free. The 1998 OPWC loan was for \$282,274 and will be repaid in semiannual installments of \$7,057 over 20 years. The 2003 OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. The 2004 OPWC loan was for \$258,000 and will be repaid in semiannual installments of \$6,450 over 20 years. The 2008 OPWC loan was for \$92,090 and will be repaid in semiannual installments of \$2,302 over 20 years. The 1998 Advance Refunding General Obligation Bonds were used for improvements to the Village wastewater treatment plant. The 1988 and 1992 Special Assessment bonds were used for sanitary sewer improvements. The 2003 General Obligation Bonds are being used for the streetscape capital improvement project.



Village of Chagrin Falls  
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(Continued)

**Note 9 – Debt** (continued)

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

Year	2003 G.O. Bonds		OPWC Loans		1998 Advanced Refunded G.O. Bonds		S.A. Hickory Road		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$150,000	\$73,850	\$36,943	\$0	\$275,000	\$76,800	\$15,000	\$4,688	\$476,943	\$155,338
2010	150,000	68,976	36,943	0	290,000	59,200	20,000	3,750	496,943	131,926
2011	155,000	63,538	36,943	0	310,000	40,640	20,000	2,500	521,943	106,678
2012	160,000	57,726	36,943	0	325,000	20,800	20,000	1,250	541,943	79,776
2013	170,000	51,126	36,943	0					206,943	51,126
2014-2018	940,000	220,846	184,716	0					1,124,716	220,846
2019-2023			114,148	0					114,148	0
2024-2028			24,868	0					24,868	0
Total	\$1,725,000	\$536,062	\$508,447	\$0	\$1,200,000	\$197,440	\$75,000	\$12,188	\$3,508,447	\$745,690

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall debt margin of \$13,260,046 and an unvoted debt margin of \$1,785,094. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$13,229,750 and an unvoted debt margin of \$1,825,545.

**Note 10 – Interfund Transfers**

During 2008 and 2007 the Village transferred \$35,000 and \$50,000, respectively, to the Street Fund in accordance with budgetary authorizations.

Also, in 2008 and 2007, the Village transferred \$20,000 from the Street Fund to the General Permanent Improvement Fund in accordance with budgetary authorizations for the future road repairs of the Old Route 422.

Also, in 2008, the Village transferred \$500,000 from the Cemetery Perpetual Care Fund to the General Permanent Improvement Fund, and \$95,000 from the General Fund to the General Permanent Improvement Fund, in accordance with budgetary authorizations.

**Note 11 – Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

**Note 12 – Joint Venture**

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

**Note 13 – Jointly Governed Organizations**

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2007 or 2008. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Solon, Ohio 44139.

**Valley Enforcement Regional Council of Governments**

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2007 and 2008, the Village paid \$3,850 and \$4,430, respectively, to VERCOG.

**Note 14 – Public Entity Risk Pool**

The Northern Ohio Risk Management Association (NORMA) is a risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Villages of Chagrin Falls and Hudson for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must commit to the joint venture for terms of three years.

Village of Chagrin Falls  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and December 31, 2007  
(Continued)

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**Note 14 – Public Entity Risk Pool** (Continued)

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the municipalities' percentage of contributions. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual members to make additional supplementary payments up to a maximum of the regular annual payment.

For the years ended December 31, 2008 and December 31, 2007, the Village paid \$86,496 and \$74,101, respectively, in premiums to NORMA. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5561 Perkins Road, Bedford Heights, Ohio 44146.

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

**Note 15 – 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 \$268,467 and \$208,644 during 2007 and 2008, respectively.

**Note 16 – Risk Management**

**A. Property and Liability**

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. In October 1987, the Village joined together with neighboring public entities to form the Northern Ohio Risk Management Agency (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability, and vehicle insurance and providing for a formalized jointly administered self insurance fund. The Village pays an annual premium to NORMA for its insurance coverage. The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. The coverage is paid from the general fund.

There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

**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.

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# Mary Taylor, CPA

## Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the 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, 2008 and December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated September 11, 2009.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 11, 2009.

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.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

September 11, 2009

VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND DECEMBER 31, 2007

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

**Noncompliance Citation**

**Purchase Order Certification**

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

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

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

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

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

A review of expenditures disclosed that 38 out of 77 transactions reviewed (or \$198,836 out of \$1,021,311 reviewed) were not encumbered prior to the purchase commitment. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND DECEMBER 31, 2007  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2008-001 (Continued)**

**Noncompliance Citation (Continued)**

**Purchase Order Certification (Continued)**

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

**MANAGEMENT'S RESPONSE:**

The Village Finance Director will review the Village procedures to make sure all purchase orders are filed in accordance with the above Ohio Revised Code section.



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Revised Code Section 5705.41 (B) – Expenditures plus Encumbrances Exceeding Appropriations	Yes	
2006-002	Ohio Revised Code Section 5705.41 (D)(1) – Purchase Order Certification	No	Re-issued as finding 2008-001
2006-003	OMB Circular A-133 Section 300(e) – Submission of Audit Report Filings	Yes	





Mary Taylor, CPA  
Auditor of State

**VILLAGE OF CHAGRIN FALLS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 10, 2009**