

# **Village of Chagrin Falls**

**Financial Statements  
For the Years Ended December 31, 2010 and 2009**





# Dave Yost • Auditor of State

Village Council  
Village of Chagrin Falls  
21 West Washington Street  
Chagrin Falls, Ohio 44022

We have reviewed the *Independent Auditors' Report* of the Village of Chagrin Falls, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 26, 2011

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# Village of Chagrin Falls

For the Years Ended December 31, 2010 and 2009

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# Village of Chagrin Falls

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## Independent Auditors' Report

Members of Village Council  
Chagrin Falls, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Ohio (the "Village") as of and for the years ended December 31, 2010 and 2009, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. 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, as of December 31, 2010 and 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction Maintenance and Repair 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 June 27, 2011 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Members of Village Council  
Chagrin Falls, Ohio

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
June 27, 2011



# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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This discussion and analysis of the Village of Chagrin Falls' (the "Village") financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2010 and December 31, 2009, 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 2010, net assets of governmental activities increased \$2,757 or 0.08 percent, an insignificant change from the prior year. In 2009, net assets of governmental activities decreased \$798,579, a 19.24 percent change from the prior year. The decrease in 2009 is primarily due to the difficult economic conditions in Northeast Ohio, along with the Village's substantial investment in its infrastructure.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 24 and 35 percent of the total cash received for governmental activities during 2010, and 23 and 40 percent, respectively, of the total cash received for governmental activities during 2009. Property tax receipts for 2010 increased approximately \$301,000 over 2009 due to the new levy passed in November 2008.
- In 2010, net assets of proprietary activities decreased \$359,645 or 9.66 percent from the prior year while in 2009, net assets of proprietary activities increased \$649,901 or a 21.16 percent change from the prior year. These variances were due to timing inconsistencies in billings received for Cleveland Water; the Village was under-billed by approximately three months in 2009, and paid for approximately fifteen months worth of bulk water 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.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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#### **Basis of Accounting**

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

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

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

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

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2010 and 2009, 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.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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

##### *Fund Financial Statements*

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

- **Governmental Funds** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for 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.
- **Proprietary Funds** – There are two types of Proprietary funds: enterprise funds and internal services funds.

Enterprise Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sanitary Sewer funds and they are displayed separately in the proprietary fund statements on pages 21 through 22 for 2010 and pages 33 through 34 for 2009.

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

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

A Fiduciary Fund statement is on page 23 for 2010 and page 35 for 2009 of this report.

#### *Other Information*

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

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

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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#### The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2010, 2009, and 2008 on a cash basis:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,354,821</u>	\$ <u>3,352,064</u>	\$ <u>4,150,643</u>
Total Assets	<u>3,354,821</u>	<u>3,352,064</u>	<u>4,150,643</u>
Net Assets:			
Restricted for:			
Debt Service	234,672	243,667	231,514
Capital Project	1,062,635	719,114	667,141
Other Purposes	169,761	239,206	1,046,316
Unrestricted	<u>1,887,753</u>	<u>2,150,077</u>	<u>2,205,672</u>
Total Net Assets	\$ <u>3,354,821</u>	\$ <u>3,352,064</u>	\$ <u>4,150,643</u>
Business-Type Net Assets			
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,362,261</u>	\$ <u>3,721,906</u>	\$ <u>3,072,005</u>
Total Assets	<u>3,362,261</u>	<u>3,721,906</u>	<u>3,072,005</u>
Net Assets:			
Unrestricted	<u>3,362,261</u>	<u>3,721,906</u>	<u>3,072,005</u>
Total Net Assets	\$ <u>3,362,261</u>	\$ <u>3,721,906</u>	\$ <u>3,072,005</u>

Net assets of governmental activities increased \$2,757 or 0.08 percent during 2010 and decreased \$798,579 or 19.24 percent during 2009. The primary reasons contributing to the decrease in the cash balance in 2009 were the difficult economic conditions in Northeast Ohio, and the Village's substantial investment in its infrastructure.

Net assets of business-type activities decreased \$359,645 or 9.66 percent during 2010 and increased \$649,901 or 21.16 percent during 2009. These variances were primarily due to timing inconsistencies in billings received for Cleveland Water; the Village was under-billed by approximately three months in 2009, and paid for approximately fifteen months worth of bulk water in 2010.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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Table 2 reflects the changes in net assets on a cash basis in 2010, 2009 and 2008 for governmental activities.

(Table 2)  
Changes in Governmental Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 852,113	\$ 748,479	\$ 858,435
Operating Grants	-	-	42,395
Capital Grants and Special Assessments	<u>34,402</u>	<u>39,816</u>	<u>56,907</u>
Total Program Receipts	<u>886,515</u>	<u>788,295</u>	<u>957,737</u>
General Receipts:			
Property Taxes	1,741,404	1,440,618	1,428,101
Municipal Income Taxes	2,529,812	2,527,726	2,653,081
Grants and Entitlements Not Restricted to Specific Programs	1,446,520	1,294,684	956,119
Proceeds from Sale of Fixed Assets	432,385	-	-
Interest	13,373	70,127	191,862
Miscellaneous	<u>195,387</u>	<u>238,321</u>	<u>243,737</u>
Total General Receipts	<u>6,358,881</u>	<u>5,571,476</u>	<u>5,472,900</u>
Total Receipts	<u>7,245,396</u>	<u>6,359,771</u>	<u>6,430,637</u>
Disbursements:			
General Government	1,155,191	1,139,626	1,206,705
Security of Persons and Property	2,601,252	2,338,702	2,561,055
Public Health Services	506,800	494,341	472,424
Leisure Time Activities	73,190	82,020	94,026
Community Development	203,636	191,350	217,438
Basic Utilities	342,523	324,421	426,899
Transportation	1,735,783	1,960,213	1,625,064
Principal Retirement	492,339	472,339	472,339
Interest and Fiscal Charges	<u>131,925</u>	<u>155,338</u>	<u>178,851</u>
Total Disbursements	<u>7,242,639</u>	<u>7,158,350</u>	<u>7,254,801</u>
Increase (Decrease) in Net Assets	2,757	(798,579)	(824,164)
Net Assets, January 1	<u>3,352,064</u>	<u>4,150,643</u>	<u>4,974,807</u>
Net Assets, December 31	\$ <u>3,354,821</u>	\$ <u>3,352,064</u>	\$ <u>4,150,643</u>

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 2,641,032	\$ 2,696,754	\$ 2,467,940
General Receipts:			
Proceeds from OPWC Loans	-	-	60,138
Grants and Entitlements Not Restricted to Specific Programs	28,425	311,759	-
Interest	13,144	56,974	134,575
Miscellaneous	-	484	24,985
Total General Receipts	<u>41,569</u>	<u>369,217</u>	<u>219,698</u>
Total Receipts	<u>2,682,601</u>	<u>3,065,971</u>	<u>2,687,638</u>
Disbursements:			
Water	1,725,567	1,252,259	1,442,672
Sewer	<u>1,316,679</u>	<u>1,163,811</u>	<u>1,758,454</u>
Total Disbursements	<u>3,042,246</u>	<u>2,416,070</u>	<u>3,201,126</u>
Increase (Decrease) in Net Assets	(359,645)	649,901	(513,488)
Net Assets, January 1	<u>3,721,906</u>	<u>3,072,005</u>	<u>3,585,493</u>
Net Assets, December 31	\$ <u>3,362,261</u>	\$ <u>3,721,906</u>	\$ <u>3,072,005</u>

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

Program receipts of business-type activities represent 98.45 percent in 2010 and 87.96 percent in 2009 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 1.55 percent in 2010 and 12.04 percent in 2009 of the Village's total business-type receipts. The general receipts for business-type activities are made of interest, intergovernmental and miscellaneous receipts.

Disbursements for business-type net 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.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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#### *Governmental Activities*

Program receipts of governmental activities represent only 12.24 percent in 2010 and 12.40 percent in 2009 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 receipts.

General receipts of governmental activities represent 87.76 percent in 2010 and 87.60 percent in 2009. Of the Village's 2010 total governmental receipts, 24.04 percent and 34.92 percent are property and other local taxes and income taxes, respectively. Of the Village's 2009 total governmental receipts, 22.65 percent and 39.75 percent are property and other local taxes and income taxes, respectively. Unrestricted state and federal grants and entitlements, and investment income constitute roughly 22.75 percent of the Village's general receipts during 2010 and roughly 23.24 percent during 2009. 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.

If you look at the Statement of Activities on pages 13 and 25, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and transportation, which account for 35.91 and 23.97 percent of all governmental disbursements in 2010, and 32.67 and 27.38 percent of all government disbursements in 2009, respectively. General government also represents a significant cost, approximately 15.95 percent in 2010 and 15.92 percent in 2009, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

# Village of Chagrin Falls

## Management's Discussion and Analysis

### For the Years Ended December 31, 2010 and 2009

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

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
General Government	\$ 1,155,191	\$ (956,484)	\$ 1,139,626	\$ (971,970)	\$ 1,206,705	\$ (948,608)
Security of Persons and Property	2,601,252	(2,105,206)	2,338,702	(1,857,524)	2,561,055	(2,037,073)
Public Health Services	506,800	(349,440)	494,341	(394,696)	472,424	(353,673)
Leisure Time Activities	73,190	(73,190)	82,020	(82,020)	94,026	(94,026)
Community Environment	203,636	(203,636)	191,350	(191,350)	217,438	(217,438)
Basic Utilities	342,523	(342,523)	324,421	(324,421)	426,899	(426,899)
Transportation	1,735,783	(1,735,783)	1,960,213	(1,960,213)	1,625,064	(1,625,064)
Principal Retirement	492,339	(457,937)	472,339	(432,523)	472,339	(415,432)
Interest and Fiscal Charges	131,925	(131,925)	155,338	(155,338)	178,851	(178,851)
Total Expenses	\$ <u>7,242,639</u>	\$ <u>(6,356,124)</u>	\$ <u>7,158,350</u>	\$ <u>(6,370,055)</u>	\$ <u>7,254,801</u>	\$ <u>(6,297,064)</u>

The dependence upon property and income tax receipts is apparent as over 59 percent of governmental activities are supported through these general receipts during 2010 and 55 percent during 2009.

### ***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 \$(359,645) for 2010 and \$649,901 for 2009.

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

In 2010, total governmental funds had receipts of \$7,648,540 and disbursements of \$7,614,959. The greatest change within governmental funds occurred within the General Permanent Improvement Capital Projects Fund. This fund's balance increased \$343,521 as the result of significant proceeds received from the sale of fixed assets.

General Fund receipts were less than disbursements by \$231,500 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the Village Council 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 receipts 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 2009, total governmental funds had receipts of \$7,775,239 and disbursements of \$8,494,837. The greatest change within governmental funds occurred within the General Fund. This fund's balance decreased \$260,166 as the result of transfers out to various funds.



# **Village of Chagrin Falls**

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

### **For the Years Ended December 31, 2010 and 2009**

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#### ***General Fund Budgeting Highlights***

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

During 2010 and 2009, 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.

In 2010, final disbursements were budgeted at \$5,464,021 while actual disbursements were \$5,197,590. 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 \$231,500 for 2010.

#### **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, 2010, the Village's outstanding debt included \$2,060,000 in General Obligation Bonds, \$40,000 in Special Assessment Bonds, and \$434,559 in Ohio Public Works Commission interest-free loans. For further information regarding the Village's debt, refer to Note 8 to the basic financial statements.

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

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

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# Village of Chagrin Falls

## Statement of Net Assets – Cash Basis

**December 31, 2010**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,354,821</u>	\$ <u>3,362,261</u>	\$ <u>6,717,082</u>
Total Assets	<u>3,354,821</u>	<u>3,362,261</u>	<u>6,717,082</u>
Net Assets:			
Restricted for:			
Debt Service	234,672	-	234,672
Capital Projects	1,062,635	-	1,062,635
Other Purposes	169,761	-	169,761
Unrestricted	<u>1,887,753</u>	<u>3,362,261</u>	<u>5,250,014</u>
Total Net Assets	\$ <u><u>3,354,821</u></u>	\$ <u><u>3,362,261</u></u>	\$ <u><u>6,717,082</u></u>

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

# Village of Chagrin Falls

## Statement of Activities – Cash Basis

### For the Year Ended December 31, 2010

	Cash	<u>Program Cash Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Services Activities</u>	<u>Capital Grants and Special Assessments</u>
Governmental Activities:			
General Government	\$ 1,155,191	\$ 198,707	\$ -
Security of Persons and Property	2,601,252	496,046	-
Public Health Services	506,800	157,360	-
Leisure Time Activities	73,190	-	-
Community Development	203,636	-	-
Basic Utilities	342,523	-	-
Transportation	1,735,783	-	-
Principal Retirement	492,339	-	34,402
Interest and Fiscal Charges	<u>131,925</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>7,242,639</u>	<u>852,113</u>	<u>34,402</u>
Business-Type Activity:			
Water	1,725,567	1,400,626	-
Sewer	<u>1,316,679</u>	<u>1,240,406</u>	<u>-</u>
Total Business-Type Activities	<u>3,042,246</u>	<u>2,641,032</u>	<u>-</u>
Total	<u>\$ 10,284,885</u>	<u>\$ 3,493,145</u>	<u>\$ 34,402</u>

General Receipts:

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

Total General Receipts and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

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

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (956,484)	\$ -	\$ (956,484)
(2,105,206)	-	(2,105,206)
(349,440)	-	(349,440)
(73,190)	-	(73,190)
(203,636)	-	(203,636)
(342,523)	-	(342,523)
(1,735,783)	-	(1,735,783)
(457,937)	-	(457,937)
<u>(131,925)</u>	<u>-</u>	<u>(131,925)</u>
<u>(6,356,124)</u>	<u>-</u>	<u>(6,356,124)</u>
-	(324,941)	(324,941)
<u>-</u>	<u>(76,273)</u>	<u>(76,273)</u>
<u>-</u>	<u>(401,214)</u>	<u>(401,214)</u>
<u>(6,356,124)</u>	<u>(401,214)</u>	<u>(6,757,338)</u>
1,294,900	-	1,294,900
446,504	-	446,504
2,529,812	-	2,529,812
1,446,520	28,425	1,474,945
432,385	-	432,385
13,373	13,144	26,517
<u>195,387</u>	<u>-</u>	<u>195,387</u>
<u>6,358,881</u>	<u>41,569</u>	<u>6,400,450</u>
2,757	(359,645)	(356,888)
<u>3,352,064</u>	<u>3,721,906</u>	<u>7,073,970</u>
\$ <u><u>3,354,821</u></u>	\$ <u><u>3,362,261</u></u>	\$ <u><u>6,717,082</u></u>

# Village of Chagrin Falls

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

**December 31, 2010**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,714,006</u>	\$ <u>10,906</u>	\$ <u>1,062,635</u>	\$ <u>393,527</u>	\$ <u>3,181,074</u>
Total Assets	\$ <u>1,714,006</u>	\$ <u>10,906</u>	\$ <u>1,062,635</u>	\$ <u>393,527</u>	\$ <u>3,181,074</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated, Reported in:					
General Fund	\$ 1,714,006	\$ -	\$ -	\$ -	\$ 1,714,006
Special Revenue Funds	-	10,906	-	158,855	169,761
Debt Service Fund	-	-	-	234,672	234,672
Capital Projects Funds	-	-	1,062,635	-	1,062,635
Total Fund Balances	\$ <u>1,714,006</u>	\$ <u>10,906</u>	\$ <u>1,062,635</u>	\$ <u>393,527</u>	\$ <u>3,181,074</u>

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

## Village of Chagrin Falls

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

**December 31, 2010**

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Total Governmental Fund Balances \$ 3,181,074

*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	\$ 217,185	
Internal Balances	<u>(43,438)</u>	<u>173,747</u>

Net Assets of Governmental Activities \$ 3,354,821

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

## Village of Chagrin Falls

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

#### **For the Year Ended December 31, 2010**

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Municipal Income Taxes	\$ 2,154,167	\$ 375,645	\$ -	\$ -	\$ 2,529,812
Property and Other Local Taxes	1,248,709	-	-	492,695	1,741,404
Special Assessments	-	-	-	34,402	34,402
Charges for Services	785,083	-	-	-	785,083
Fines, Licenses and Permits	97,854	-	-	-	97,854
Intergovernmental	617,088	248,398	513,909	67,125	1,446,520
Interest	9,540	80	3,365	388	13,373
Miscellaneous	53,649	6,663	85,325	49,750	195,387
Total Receipts	<u>4,966,090</u>	<u>630,786</u>	<u>602,599</u>	<u>644,360</u>	<u>6,843,835</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General Government	1,138,788	-	-	9,365	1,148,153
Security of Persons and Property	2,509,309	-	-	55,411	2,564,720
Public Health Services	506,800	-	-	-	506,800
Leisure Time Activities	72,470	-	-	720	73,190
Community Development	203,636	-	-	-	203,636
Basic Utilities	342,523	-	-	-	342,523
Transportation	28,515	796,403	-	-	824,918
Capital Outlay	42,409	10,121	900,744	-	953,274
<b>Debt Service:</b>					
Principal Retirement	-	-	32,339	460,000	492,339
Interest and Fiscal Charges	-	-	-	131,925	131,925
Total Disbursements	<u>4,844,450</u>	<u>806,524</u>	<u>933,083</u>	<u>657,421</u>	<u>7,241,478</u>
Excess of Receipts Over (Under) Disbursements	<u>121,640</u>	<u>(175,738)</u>	<u>(330,484)</u>	<u>(13,061)</u>	<u>(397,643)</u>
<b>Other Financing Sources (Uses):</b>					
<b>Proceeds from Sale of</b>					
Fixed Assets	-	-	432,385	-	432,385
Transfers In	-	130,000	241,620	700	372,320
Transfers Out	(352,320)	(20,000)	-	-	(372,320)
Other Financing Uses	(820)	-	-	(341)	(1,161)
Total Other Financing Sources (Uses)	<u>(353,140)</u>	<u>110,000</u>	<u>674,005</u>	<u>359</u>	<u>431,224</u>
Net Change in Fund Balances	(231,500)	(65,738)	343,521	(12,702)	33,581
Fund Balances, Beginning of Year	<u>1,945,506</u>	<u>76,644</u>	<u>719,114</u>	<u>406,229</u>	<u>3,147,493</u>
Fund Balances, End of Year	<u>\$ 1,714,006</u>	<u>\$ 10,906</u>	<u>\$ 1,062,635</u>	<u>\$ 393,527</u>	<u>\$ 3,181,074</u>

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



## Village of Chagrin Falls

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

#### **For the Year Ended December 31, 2010**

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Net Change in Fund Balances - Total Governmental Funds \$ 33,581

*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	\$ (38,529)	
Internal Balances	<u>7,705</u>	<u>(30,824)</u>

Change in Net Assets of Governmental Activities \$ 2,757

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

## Village of Chagrin Falls

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

### For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Municipal Income Taxes	\$ 1,124,426	\$ 1,275,295	\$ 1,248,709	\$ (26,586)
Property and Other Local Taxes	1,939,765	2,200,030	2,154,167	(45,863)
Charges for Services	706,944	801,798	785,083	(16,715)
Fines, Licenses and Permits	88,115	99,937	97,854	(2,083)
Intergovernmental	555,670	630,226	617,088	(13,138)
Interest	8,590	9,743	9,540	(203)
Miscellaneous	<u>48,309</u>	<u>54,791</u>	<u>53,649</u>	<u>(1,142)</u>
Total receipts	<u>4,471,819</u>	<u>5,071,820</u>	<u>4,966,090</u>	<u>(105,730)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	1,110,780	1,197,163	1,138,788	58,375
Security of Persons and Property	2,447,593	2,637,937	2,509,309	128,628
Public Health Services	494,335	532,779	506,800	25,979
Leisure Time Activities	70,688	76,185	72,470	3,715
Community Development	198,628	214,074	203,636	10,438
Basic Utilities	334,099	360,081	342,523	17,558
Transportation	27,814	29,977	28,515	1,462
Capital Outlay	<u>41,366</u>	<u>44,583</u>	<u>42,409</u>	<u>2,174</u>
Total Disbursements	<u>4,725,303</u>	<u>5,092,779</u>	<u>4,844,450</u>	<u>248,329</u>
Excess of Receipts Over (Under) Disbursements	<u>(253,484)</u>	<u>(20,959)</u>	<u>121,640</u>	<u>142,599</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(343,655)	(370,380)	(352,320)	18,060
Other Financing Uses	<u>(800)</u>	<u>(862)</u>	<u>(820)</u>	<u>42</u>
Total Other Financing Sources (Uses)	<u>(344,455)</u>	<u>(371,242)</u>	<u>(353,140)</u>	<u>18,102</u>
Net Change in Fund Balance	(597,939)	(392,201)	(231,500)	160,701
Fund Balance, Beginning of Year	<u>1,945,506</u>	<u>1,945,506</u>	<u>1,945,506</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>1,347,567</u>	\$ <u>1,553,305</u>	\$ <u>1,714,006</u>	\$ <u>160,701</u>

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

## Village of Chagrin Falls

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

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts:				
Municipal Income Taxes	\$ 374,788	\$ 374,788	\$ 375,645	\$ 857
Intergovernmental	247,831	247,831	248,398	567
Interest	80	80	80	-
Miscellaneous	<u>6,648</u>	<u>6,648</u>	<u>6,663</u>	<u>15</u>
Total receipts	<u>629,347</u>	<u>629,347</u>	<u>630,786</u>	<u>1,439</u>
Disbursements:				
Current:				
Transportation	767,315	891,290	796,403	94,887
Capital Outlay	<u>9,751</u>	<u>11,327</u>	<u>10,121</u>	<u>1,206</u>
Total Disbursements	<u>777,066</u>	<u>902,617</u>	<u>806,524</u>	<u>96,093</u>
Excess of Receipts Over (Under) Disbursements	<u>(147,719)</u>	<u>(273,270)</u>	<u>(175,738)</u>	<u>97,532</u>
Other Financing Sources (Uses):				
Transfers In	220,653	220,653	130,000	(90,653)
Transfers Out	<u>(19,270)</u>	<u>(22,383)</u>	<u>(20,000)</u>	<u>2,383</u>
Total Other Financing Sources (Uses)	<u>201,383</u>	<u>198,270</u>	<u>110,000</u>	<u>(88,270)</u>
Net Change in Fund Balance	53,664	(75,000)	(65,738)	9,262
Fund Balance, Beginning of Year	<u>76,644</u>	<u>76,644</u>	<u>76,644</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>130,308</u>	\$ <u>1,644</u>	\$ <u>10,906</u>	\$ <u>9,262</u>

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

# Village of Chagrin Falls

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

**December 31, 2010**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,938,247</u>	\$ <u>1,380,576</u>	\$ <u>3,318,823</u>	\$ <u>217,185</u>
Total Assets	<u>1,938,247</u>	<u>1,380,576</u>	<u>3,318,823</u>	<u>217,185</u>
Net Assets:				
Unrestricted	<u>1,938,247</u>	<u>1,380,576</u>	<u>3,318,823</u>	<u>217,185</u>
	\$ <u>1,938,247</u>	\$ <u>1,380,576</u>	3,318,823	\$ <u>217,185</u>
Net assets reported for Business-Type activities in the statement of net assets are different because their share of internal service fund assets included.			<u>43,438</u>	
Net assets of Business-Type activities			\$ <u>3,362,261</u>	

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

## Village of Chagrin Falls

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

**For the Year Ended December 31, 2010**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,400,626	\$ 1,240,406	\$ 2,641,032	\$ 262,000
Intergovernmental	<u>28,425</u>	<u>-</u>	<u>28,425</u>	<u>-</u>
Total Operating Receipts	<u>1,429,051</u>	<u>1,240,406</u>	<u>2,669,457</u>	<u>262,000</u>
Operating Disbursements:				
Personal Services	404,351	806,136	1,210,487	26,862
Travel Transportation	10,076	5,118	15,194	-
Contractual Services	1,250,052	337,907	1,587,959	21,017
Materials and Supplies	48,316	119,557	167,873	84,874
Other	8,919	39,504	48,423	167,776
Redemption of Principal	<u>-</u>	<u>4,605</u>	<u>4,605</u>	<u>-</u>
Total Operating Disbursements	<u>1,721,714</u>	<u>1,312,827</u>	<u>3,034,541</u>	<u>300,529</u>
Operating Loss	(292,663)	(72,421)	(365,084)	(38,529)
Non-Operating Receipts:				
Interest	<u>7,791</u>	<u>5,353</u>	<u>13,144</u>	<u>-</u>
Change in Net Assets	(284,872)	(67,068)	(351,940)	(38,529)
Net Assets, Beginning of Year	<u>2,223,119</u>	<u>1,447,644</u>		<u>255,714</u>
Net Assets, End of Year	\$ <u>1,938,247</u>	\$ <u>1,380,576</u>		\$ <u>217,185</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>(7,705)</u>	
Change in Net Assets of Business Type activities			\$ <u>(359,645)</u>	

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

# Village of Chagrin Falls

## Statement of Fiduciary Net Assets – Cash Basis Fiduciary Fund

**December 31, 2010**

---

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>94,063</u>
Total Assets	\$ <u><u>94,063</u></u>
Net Assets:	
Unrestricted	\$ <u><u>94,063</u></u>

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

# Village of Chagrin Falls

## Statement of Net Assets – Cash Basis

**December 31, 2009**

---

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,352,064</u>	\$ <u>3,721,906</u>	\$ <u>7,073,970</u>
Total Assets	<u>3,352,064</u>	<u>3,721,906</u>	<u>7,073,970</u>
Net Assets:			
Restricted for:			
Debt Service	243,667	-	243,667
Capital Projects	719,114	-	719,114
Other Purposes	239,206	-	239,206
Unrestricted	<u>2,150,077</u>	<u>3,721,906</u>	<u>5,871,983</u>
Total Net Assets	\$ <u><u>3,352,064</u></u>	\$ <u><u>3,721,906</u></u>	\$ <u><u>7,073,970</u></u>

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

# Village of Chagrin Falls

Statement of Activities – Cash Basis

**For the Year Ended December 31, 2009**

	Cash Disbursements	Program Cash Receipts	
		Charges for Services Activities	Capital Grants and Special Assessments
Governmental Activities:			
General Government	\$ 1,139,626	\$ 167,656	\$ -
Security of Persons and Property	2,338,702	481,178	-
Public Health Services	494,341	99,645	-
Leisure Time Activities	82,020	-	-
Community Development	191,350	-	-
Basic Utilities	324,421	-	-
Transportation	1,960,213	-	-
Principal Retirement	472,339	-	39,816
Interest and Fiscal Charges	155,338	-	-
Total Governmental Activities	<u>7,158,350</u>	<u>748,479</u>	<u>39,816</u>
Business-Type Activity:			
Water	1,252,259	1,334,027	-
Sewer	<u>1,163,811</u>	<u>1,362,727</u>	-
Total Business-Type Activities	<u>2,416,070</u>	<u>2,696,754</u>	-
Total	\$ <u>9,574,420</u>	\$ <u>3,445,233</u>	\$ <u>39,816</u>

General Receipts:

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

Total General Receipts

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

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



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Net (Disbursements Receipts and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (971,970)	\$ -	\$ (971,970)
(1,857,524)	-	(1,857,524)
(394,696)	-	(394,696)
(82,020)	-	(82,020)
(191,350)	-	(191,350)
(324,421)	-	(324,421)
(1,960,213)	-	(1,960,213)
(432,523)	-	(432,523)
(155,338)	-	(155,338)
<u>(6,370,055)</u>	<u>-</u>	<u>(6,370,055)</u>
-	81,768	81,768
<u>-</u>	<u>198,916</u>	<u>198,916</u>
<u>-</u>	<u>280,684</u>	<u>280,684</u>
<u>(6,370,055)</u>	<u>280,684</u>	<u>(6,089,371)</u>
979,202	-	979,202
461,416	-	461,416
2,527,726	-	2,527,726
1,294,684	311,759	1,606,443
70,127	56,974	127,101
<u>238,321</u>	<u>484</u>	<u>238,805</u>
<u>5,571,476</u>	<u>369,217</u>	<u>5,940,693</u>
(798,579)	649,901	(148,678)
<u>4,150,643</u>	<u>3,072,005</u>	<u>7,222,648</u>
\$ <u>3,352,064</u>	\$ <u>3,721,906</u>	\$ <u>7,073,970</u>

# Village of Chagrin Falls

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

**December 31, 2009**

---

	<u>General</u>	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,945,506</u>	\$ <u>76,644</u>	\$ <u>719,114</u>	\$ <u>406,229</u>	\$ <u>3,147,493</u>
Total Assets	\$ <u>1,945,506</u>	\$ <u>76,644</u>	\$ <u>719,114</u>	\$ <u>406,229</u>	\$ <u>3,147,493</u>
Fund Balances:					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 1,945,506	\$ -	\$ -	\$ -	\$ 1,945,506
Special Revenue Funds	-	76,644	-	162,562	239,206
Debt Service Fund	-	-	-	243,667	243,667
Capital Projects Funds	-	-	719,114	-	719,114
Total Fund Balances	\$ <u>1,945,506</u>	\$ <u>76,644</u>	\$ <u>719,114</u>	\$ <u>406,229</u>	\$ <u>3,147,493</u>

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

## Village of Chagrin Falls

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

**December 31, 2009**

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Total Governmental Fund Balances \$ 3,147,493

*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	\$ 255,714	
Internal Balances	<u>(51,143)</u>	<u>204,571</u>

Net Assets of Governmental Activities \$ 3,352,064

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

## Village of Chagrin Falls

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

#### **For the Year Ended December 31, 2009**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Municipal Income Taxes	\$ 2,151,227	\$ 376,499	\$ -	\$ -	\$ 2,527,726
Property and Other Local Taxes	931,469	-	-	509,149	1,440,618
Special Assessments	-	-	-	39,816	39,816
Charges for Services	686,408	-	-	-	686,408
Fines, Licenses and Permits	141,052	-	-	-	141,052
Intergovernmental	962,628	264,076	-	67,980	1,294,684
Interest	56,218	244	11,837	1,828	70,127
Miscellaneous	88,328	11,029	89,614	49,350	238,321
Total Receipts	<u>5,017,330</u>	<u>651,848</u>	<u>101,451</u>	<u>668,123</u>	<u>6,438,752</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General Government	1,111,432	-	-	6,380	1,117,812
Security of Persons and Property	2,226,219	-	-	66,441	2,292,660
Public Health Services	492,571	-	-	-	492,571
Leisure Time Activities	82,020	-	-	-	82,020
Community Development	191,139	-	-	211	191,350
Basic Utilities	324,421	-	-	-	324,421
Transportation	21,313	743,250	-	-	764,563
Capital Outlay	67,813	7,024	1,188,626	-	1,263,463
<b>Debt Service:</b>					
Principal Retirement	-	-	32,339	440,000	472,339
Interest and Fiscal Charges	-	-	-	155,338	155,338
Total Disbursements	<u>4,516,928</u>	<u>750,274</u>	<u>1,220,965</u>	<u>668,370</u>	<u>7,156,537</u>
Excess of Receipts Over (Under) Disbursements	<u>500,402</u>	<u>(98,426)</u>	<u>(1,119,514)</u>	<u>(247)</u>	<u>(717,785)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	165,000	1,171,487	-	1,336,487
Transfers Out	(759,152)	(20,000)	-	(557,335)	(1,336,487)
Other Financing Uses	(1,416)	-	-	(397)	(1,813)
Total Other Financing Sources (Uses)	<u>(760,568)</u>	<u>145,000</u>	<u>1,171,487</u>	<u>(557,732)</u>	<u>(1,813)</u>
Net Change in Fund Balances	(260,166)	46,574	51,973	(557,979)	(719,598)
Fund Balances, Beginning of Year	<u>2,205,672</u>	<u>30,070</u>	<u>667,141</u>	<u>964,208</u>	<u>3,867,091</u>
Fund Balances, End of Year	\$ <u>1,945,506</u>	\$ <u>76,644</u>	\$ <u>719,114</u>	\$ <u>406,229</u>	\$ <u>3,147,493</u>

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

## Village of Chagrin Falls

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

### **For the Year Ended December 31, 2009**

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Net Change in Fund Balances - Total Governmental Funds \$ (719,598)

*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	\$ (98,726)	
Internal Balances	<u>19,745</u>	<u>(78,981)</u>

Change in Net Assets of Governmental Activities \$ (798,579)

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

## Village of Chagrin Falls

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

**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Municipal Income Taxes	\$ 1,807,400	\$ 2,223,296	\$ 2,151,227	\$ (72,069)
Property and Other Local Taxes	782,594	962,675	931,469	(31,206)
Charges for Services	576,700	709,404	686,408	(22,996)
Fines, Licenses and Permits	118,508	145,778	141,052	(4,726)
Intergovernmental	808,773	994,877	962,628	(32,249)
Interest	47,233	58,101	56,218	(1,883)
Miscellaneous	74,211	91,287	88,328	(2,959)
Total receipts	<u>4,215,419</u>	<u>5,185,418</u>	<u>5,017,330</u>	<u>(168,088)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	1,032,162	1,226,104	1,111,432	114,672
Security of Persons and Property	2,067,439	2,455,908	2,226,219	229,689
Public Health Services	457,439	543,392	492,571	50,821
Leisure Time Activities	76,170	90,482	82,020	8,462
Community Development	177,506	210,860	191,139	19,721
Basic Utilities	301,282	357,893	324,421	33,472
Transportation	19,793	23,512	21,313	2,199
Capital Outlay	62,976	74,810	67,813	6,997
Total Disbursements	<u>4,194,767</u>	<u>4,982,961</u>	<u>4,516,928</u>	<u>466,033</u>
Excess of Receipts Over (Under) Disbursements	<u>20,652</u>	<u>202,457</u>	<u>500,402</u>	<u>297,945</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(705,007)	(837,477)	(759,152)	78,325
Other Financing Uses	<u>(1,315)</u>	<u>(1,562)</u>	<u>(1,416)</u>	<u>146</u>
Total Other Financing Sources (Uses)	<u>(706,322)</u>	<u>(839,039)</u>	<u>(760,568)</u>	<u>78,471</u>
Net Change in Fund Balance	(685,670)	(636,582)	(260,166)	376,416
Fund Balance, Beginning of Year	<u>2,205,672</u>	<u>2,205,672</u>	<u>2,205,672</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>1,520,002</u>	\$ <u>1,569,090</u>	\$ <u>1,945,506</u>	\$ <u>376,416</u>

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

## Village of Chagrin Falls

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

**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Municipal Income Taxes	\$ 343,651	\$ 330,287	\$ 376,499	\$ 46,212
Intergovernmental	241,036	231,663	264,076	32,413
Interest	223	214	244	30
Miscellaneous	<u>10,067</u>	<u>9,675</u>	<u>11,029</u>	<u>1,354</u>
Total receipts	<u>594,977</u>	<u>571,839</u>	<u>651,848</u>	<u>80,009</u>
Disbursements:				
Current:				
Transportation	737,486	858,776	743,250	115,526
Capital Outlay	<u>6,970</u>	<u>8,116</u>	<u>7,024</u>	<u>1,092</u>
Total Disbursements	<u>744,456</u>	<u>866,892</u>	<u>750,274</u>	<u>116,618</u>
Excess of Receipts Over (Under) Disbursements	<u>(149,479)</u>	<u>(295,053)</u>	<u>(98,426)</u>	<u>196,627</u>
Other Financing Sources (Uses):				
Transfers In	305,023	293,161	165,000	(128,161)
Transfers Out	<u>(19,845)</u>	<u>(23,109)</u>	<u>(20,000)</u>	<u>3,109</u>
Total Other Financing Sources (Uses)	<u>285,178</u>	<u>270,052</u>	<u>145,000</u>	<u>(125,052)</u>
Net Change in Fund Balance	135,699	(25,001)	46,574	71,575
Fund Balance, Beginning of Year	<u>30,070</u>	<u>30,070</u>	<u>30,070</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>165,769</u>	\$ <u>5,069</u>	\$ <u>76,644</u>	\$ <u>71,575</u>

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

# Village of Chagrin Falls

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

**December 31, 2009**

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	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Total Enterprise Funds</u>	<u>Activity Internal Service</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,223,119</u>	\$ <u>1,447,644</u>	\$ <u>3,670,763</u>	\$ <u>255,714</u>
Total Assets	<u>2,223,119</u>	<u>1,447,644</u>	<u>3,670,763</u>	<u>255,714</u>
Net Assets:				
Unrestricted	<u>2,223,119</u>	<u>1,447,644</u>		<u>255,714</u>
	\$ <u>2,223,119</u>	\$ <u>1,447,644</u>		\$ <u>255,714</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>51,143</u>	
Net assets of Business-Type activities			\$ <u>3,721,906</u>	

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



## Village of Chagrin Falls

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

**For the Year Ended December 31, 2009**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,334,027	\$ 1,362,727	\$ 2,696,754	\$ 100,000
Intergovernmental	-	311,759	311,759	-
Other	-	-	-	4,845
Total Operating Receipts	<u>1,334,027</u>	<u>1,674,486</u>	<u>3,008,513</u>	<u>104,845</u>
Operating Disbursements:				
Personal Services	365,554	721,281	1,086,835	30,288
Travel Transportation	5,118	3,568	8,686	-
Contractual Services	798,840	302,125	1,100,965	34,112
Materials and Supplies	37,083	105,913	142,996	83,307
Other	35,306	16,448	51,754	55,864
Redemption of Principal	-	4,605	4,605	-
Total Operating Disbursements	<u>1,241,901</u>	<u>1,153,940</u>	<u>2,395,841</u>	<u>203,571</u>
Operating Income (Loss)	92,126	520,546	612,672	(98,726)
Non-Operating Receipts:				
Interest	<u>36,722</u>	<u>20,252</u>	<u>56,974</u>	<u>-</u>
Change in Net Assets	128,848	540,798	669,646	(98,726)
Net Assets, Beginning of Year	<u>2,094,271</u>	<u>906,846</u>		<u>354,440</u>
Net Assets, End of Year	\$ <u>2,223,119</u>	\$ <u>1,447,644</u>		\$ <u>255,714</u>
Some amounts reported for Business-Type Activities in the statement of activities are different because their share of the change in internal service fund assets are included.			<u>(19,745)</u>	
Change in Net Assets of Business-Type activities			\$ <u>649,901</u>	

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

# Village of Chagrin Falls

Statement of Fiduciary Net Assets – Cash Basis  
Fiduciary Fund

**December 31, 2009**

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>81,372</u>
Total Assets	\$ <u><u>81,372</u></u>
Net Assets:	
Unrestricted	\$ <u><u>81,372</u></u>

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2010 and December 31, 2009**

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

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

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

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

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures. See Note 11 for the description of the Village's Joint Venture.

The Village participates in a jointly governed organization and a public entity risk pool. Notes 12 and 13 to the financial statements provide additional information for these entities. The Jointly Governed Organizations are Northeast Ohio Public Energy Council and Valley Enforcement Regional Council of Governments. The Public Entity Risk Pool is Northern Ohio Risk Management Association.

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

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2010 and December 31, 2009**

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

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The Village also applies guidance issued on or before November 30, 1989 by the Financial Accounting Standards Board (“FASB”) which established the FASB Accounting Standards Codification (“ASC”) as the single source of authoritative accounting principles generally accepted in the United States of America, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The statement of net 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 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, 2010 and December 31, 2009

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

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

##### Fund Financial Statements

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

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

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

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

##### Governmental Funds

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

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

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

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

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

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2010 and December 31, 2009

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

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

##### Proprietary Funds

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

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

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

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

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

##### Fiduciary Funds

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

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

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2010 and December 31, 2009**

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

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

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

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

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

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

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

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

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

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

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

During 2010 and 2009, the Village invested in nonnegotiable certificates of deposit, savings accounts and U.S. government securities. All investments are reported at cost.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2010 and December 31, 2009**

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

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2010 and 2009 were \$9,540 and \$56,218 respectively.

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

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

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

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

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

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

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

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

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

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

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7 the employer contributions include portions for pension benefits and for postretirement healthcare benefits.



# Village of Chagrin Falls

Notes to the Financial Statements

**For the Years Ended December 31, 2010 and December 31, 2009**

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

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

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

### ***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.

### ***O. Subsequent Events***

In preparing these financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through June 27, 2011, the date the financial statements were available to be issued.

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Years Ended December 31, 2010 and December 31, 2009**

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#### **Note 3: Deposits and Investments**

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

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

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

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

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

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

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Years Ended December 31, 2010 and December 31, 2009

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#### **Note 3: Deposits and Investments (continued)**

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

#### **Deposits**

*Custodial credit risk* is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2010 and 2009, the Village had book balances of \$6,811,145 and \$6,618,313 respectively. Of the Village's 2010 bank balance of \$6,864,096, \$5,864,094 was uninsured and uncollateralized. Of the Village's 2009 bank balance of \$6,401,927, \$5,651,860 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, 2010, the Village had only cash and cash equivalents.

As of December 31, 2009, the Village had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturity</u>
FHLB	\$ 236,620	2 Months
FFCB	300,409	2 Months
Total	\$ <u>537,029</u>	

The weighted average maturity is 2 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 one year from the date of purchase unless specifically matched to a specific cash flow. The Ohio Revised Code Chapter 135 also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2010 and December 31, 2009**

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### **Note 3: Deposits and Investments (continued)**

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

*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. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Village must meet a set of prescribed standards and be periodically reviewed.

*Concentration of Risk* is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. 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 44% and 56% respectively, in 2009.

### **Note 4: Income Taxes**

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

### **Note 5: 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 2009 (2010) for real and public utility property taxes represents collections of the 2008 (2009) taxes. Property tax payments received during 2009 (2010) for tangible personal property (other than public utility property) are for 2009 (2010) taxes.

2009 (2010) real property taxes are levied after October 1, 2009 (2010) on the assessed values as of January 1, 2009 (2010), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 (2010) real property taxes are collected in and intended to finance 2010 (2011).

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.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2010 and December 31, 2009

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### **Note 5: Property Taxes (continued)**

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. 2009 (2010) public utility property taxes which became a lien on December 31, 2008 (2009), are levied after October 1, 2009 (2010), and are collected in 2010 (2011) with real property taxes.

2009 (2010) tangible property taxes are levied after October 1, 2008 (2009), on the value as of December 31, 2008 (2009). Collections are made in 2008 (2010). 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.

The full tax rate for all Village operations for the year ended December 31, 2009 (2010), was \$11.20 (11.20) per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 (2010) property tax receipts were based are as follows:

	<u>2010</u>	<u>2009</u>
Real Property:		
Residential/Agricultural	\$ 145,044,660	\$ 146,977,730
Commercial/Industrial/Mineral	28,497,030	29,128,750
Tangible Personal Property:		
Public Utility	1,493,000	1,395,720
Business	-	<u>1,007,160</u>
Total Assessed Value	<u>\$ 175,034,690</u>	<u>\$ 178,509,360</u>

### **Note 6: Defined Benefit Pension Plans**

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

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2010 and December 31, 2009**

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### **Note 6: Defined Benefit Pension Plans (continued)**

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

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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010 and 2009, the members and employer contribution rates were consistent across all three plans. For the years ended December 31, 2010 and December 31, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The Village contributed 14.0 percent of covered payroll for both 2010 and 2009.

The Village's required contributions for pension obligations, excluding healthcare, to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$197,231, \$167,998, and \$192,323 respectively; 92.5 percent has been contributed for 2010 and 100 percent for 2009 and 2008. The Village made no contributions to the member-directed plan for 2010 or 2009.

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

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to OP&F, excluding healthcare, for the years ended December 31, 2010, 2009, and 2008 were \$99,388, \$95,346, and \$82,358. The full amount has been contributed for years 2008 and 2009, and 73 percent has been contributed for 2010.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Years Ended December 31, 2010 and December 31, 2009**

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### **Note 7: Postemployment Benefits**

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

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

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

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 227 E. Town St., Columbus, Ohio 43215-4642, or by calling (614)222-5601.

The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Village contributed at 14.0 percent of covered payroll. 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.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment healthcare benefits. For 2009, the employer contribution allocated to the healthcare plan was 7.0 percent from January 1 through March 21, 2009, and 5.5 percent from April 1 through December 31, 2009 of covered payroll. For 2010, the employer contribution allocated to the healthcare for members in the traditional plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to healthcare for members in the combined plan was 4.73 percent from January 1 through March 21, 2010, and 4.23 percent from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the healthcare benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2010 and December 31, 2009**

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#### **Note 7: Postemployment Benefits (continued)**

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

The Village's contributions for healthcare for the years ended 2010, 2009 and 2008 were \$112,127, \$120,423 and \$94,071, respectively; 92.5 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

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

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% 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 healthcare in two separate accounts: One for healthcare 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.



# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2010 and December 31, 2009

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### **Note 7: Postemployment Benefits (continued)**

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the years ended December 31, 2010 and 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The Village's contributions to OP&F for the years ended December 31, 2010, 2009 and 2008 were \$52,581, \$50,443, \$54,321, for police respectively. The full amount has been contributed for 2009 and 2008. For 2010, 73.0 percent has been contributed.

### **Note 8: Debt**

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

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

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2010 and December 31, 2009

### Note 8: Debt (continued)

The Village's long-term debt activity for the years ended December 31, 2010 and 2009, was as follows:

<u>December 31, 2010</u>	<u>Debt Outstanding 12/31/2009</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2010</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Advance Refunding Bonds	\$ 925,000	\$ -	\$ 290,000	\$ 635,000	\$ 310,000
Streetscape Bonds	<u>1,575,000</u>	<u>-</u>	<u>150,000</u>	<u>1,425,000</u>	<u>155,000</u>
Total General Obligation Bonds	<u>2,500,000</u>	<u>-</u>	<u>440,000</u>	<u>2,060,000</u>	<u>465,000</u>
<i>Special Assessment Bonds:</i>					
Hickory Hill Sewers	<u>60,000</u>	<u>-</u>	<u>20,000</u>	<u>40,000</u>	<u>20,000</u>
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	127,023	-	14,114	112,909	14,114
West Washington Watermain Replacement	74,550	-	5,325	69,225	5,325
Falls Road Water System Improvement	<u>187,050</u>	<u>-</u>	<u>12,900</u>	<u>174,150</u>	<u>12,900</u>
Total Ohio Public Works Commission	<u>388,623</u>	<u>-</u>	<u>32,339</u>	<u>356,284</u>	<u>32,339</u>
Total Governmental Activities	<u>2,948,623</u>	<u>-</u>	<u>492,339</u>	<u>2,456,284</u>	<u>517,339</u>
<b>Business-Type Activities:</b>					
<i>Ohio Public Works Commission Loan:</i>					
WWTP Renovation	<u>82,880</u>	<u>-</u>	<u>4,605</u>	<u>78,275</u>	<u>4,605</u>
Total Village	<u>\$ 3,031,503</u>	<u>\$ -</u>	<u>\$ 496,944</u>	<u>\$ 2,534,559</u>	<u>\$ 521,944</u>

<u>December 31, 2009</u>	<u>Debt Outstanding 12/31/2008</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2009</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Advance Refunding Bonds	\$ 1,200,000	\$ -	\$ 275,000	\$ 925,000	\$ 290,000
Streetscape Bonds	<u>1,725,000</u>	<u>-</u>	<u>150,000</u>	<u>1,575,000</u>	<u>150,000</u>
Total General Obligation Bonds	<u>2,925,000</u>	<u>-</u>	<u>425,000</u>	<u>2,500,000</u>	<u>440,000</u>
<i>Special Assessment Bonds:</i>					
Hickory Hill Sewers	<u>75,000</u>	<u>-</u>	<u>15,000</u>	<u>60,000</u>	<u>20,000</u>
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	141,137	-	14,114	127,023	14,114
West Washington Watermain Replacement	79,875	-	5,325	74,550	5,325
Falls Road Water System Improvement	<u>199,950</u>	<u>-</u>	<u>12,900</u>	<u>187,050</u>	<u>12,900</u>
Total Ohio Public Works Commission	<u>420,962</u>	<u>-</u>	<u>32,339</u>	<u>388,623</u>	<u>32,339</u>
Total Governmental Activities	<u>3,420,962</u>	<u>-</u>	<u>472,339</u>	<u>2,948,623</u>	<u>492,339</u>

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Years Ended December 31, 2010 and December 31, 2009

### Note 8: Debt (continued)

<u>December 31, 2009</u>	<u>Debt Outstanding 12/31/2008</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2009</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
<i>Ohio Public Works Commission Loan:</i>					
WWTP Renovation	87,485	-	4,605	82,880	4,605
Total Village	<u>\$ 3,508,447</u>	<u>\$ -</u>	<u>\$ 476,944</u>	<u>\$ 3,031,503</u>	<u>\$ 496,944</u>

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

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

Year	Streetscape 2003 G.O. Bonds		OPWC Loans	1998 Advanced Refunded G.O. Bonds		S.A. Hickory Road		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 155,000	\$ 63,538	\$ 36,944	\$ 310,000	\$ 40,640	\$ 20,000	\$ 2,500	\$ 521,944	\$ 106,678
2012	160,000	57,726	36,944	325,000	20,800	20,000	1,250	541,944	79,776
2013	170,000	51,126	36,944	-	-	-	-	206,944	51,126
2014	175,000	43,475	36,944	-	-	-	-	211,944	43,475
2015	180,000	35,381	36,944	-	-	-	-	216,944	35,381
2016-2020	585,000	55,038	156,487	-	-	-	-	741,487	55,038
2021-2025	-	-	84,148	-	-	-	-	84,148	-
2026-2030	-	-	9,204	-	-	-	-	9,204	-
Total	\$ <u>1,425,000</u>	\$ <u>306,284</u>	\$ <u>434,559</u>	\$ <u>635,000</u>	\$ <u>61,440</u>	\$ <u>40,000</u>	\$ <u>3,750</u>	\$ <u>2,534,559</u>	\$ <u>371,474</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2010, were an overall debt margin of \$16,553,314 and an unvoted debt margin of \$9,392,236. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$16,487,150 and an unvoted debt margin of \$9,574,348.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2010 and December 31, 2009**

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#### **Note 9: Interfund Transfers**

During 2010 and 2009 the Village transferred \$130,000 and \$165,000, respectively, to the Street Construction Maintenance and Repair Fund from the General Fund in accordance with budgetary authorizations. During 2010, the General Fund also transferred \$700 to Other Non-Major Governmental Funds.

The Village transferred \$20,000 from the Street Construction Maintenance and Repair Fund to the General Permanent Improvement Fund during 2010 and 2009 in accordance with budgetary authorizations for the future road repairs of the Old Route 422.

In 2009, the Village also transferred \$557,335 from the Cemetery Perpetual Care Fund to the General Permanent Improvement Fund, and \$594,152 from the General Fund to the General Permanent Improvement Fund, in accordance with budgetary authorizations. In 2010, the General Fund transferred \$221,620 to the General Permanent Improvement Fund.

#### **Note 10: 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 11: Joint Venture**

##### ***Bedford Heights Municipal Jail***

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 facility's 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.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Years Ended December 31, 2010 and December 31, 2009**

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#### **Note 12: 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 community then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2009 or 2010. 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 15 communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2009 and 2010, the Village paid \$7,390 and \$7,100, respectively, to VERCOG.

#### **Note 13: 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, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Village of Chagrin Falls, for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must 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, 2010 and December 31, 2009**

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### **Note 13: 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 municipality's percentage of contributions. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$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, 2010 and December 31, 2009, the Village paid \$57,070 and \$69,403, 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 they may be required to increase the cash contribution in the future, if determined to be necessary.

### **Note 14: Engineering Services**

The Village contracted with CT Consultants to provide services in connection with the Construction of public improvements. The Village Engineer is an employee of CT Consultants. The Village paid \$237,339 and \$226,849 during 2010 and 2009, respectively.

### **Note 15: 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.

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

Members of Village Council  
Chagrin Falls, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Ohio (the “Village”) as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Village’s basic financial statements and have issued our report thereon dated June 27, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Village’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Members of the Village Council  
Chagrin Falls, Ohio

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Village, in a separate letter dated June 27, 2011.

This report is intended solely for the information and use of management, Village Council, others within the entity, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
June 27, 2011



# Village of Chagrin Falls

## Schedule of Findings

**For the Years Ended December 31, 2010 and December 31, 2009**

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### 1. Summary of Auditors' Results

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
Was there any material weaknesses reported at the financial statement level (GAGAS)?	No
Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

### 2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

None

# Village of Chagrin Falls

## Schedule of Prior Year Findings

**For the Years Ended December 31, 2010 and December 31, 2009**

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<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Explanation</b>
2008-1	Ohio Revised Code Section 5705.41 (D) (1) – Purchase Order Certification	Yes	No material instances of noncompliance noted during the 2009 and 2010 audits.



# Dave Yost • Auditor of State

VILLAGE OF CHAGRIN FALLS

CUYAHOGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 9, 2011