



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
DECEMBER 31, 2018 AND 2017**

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**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2018 and 2017, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Street Construction Maintenance and Repair Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 19 to the 2018 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Matter

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 4, 2022

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

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 year ended December 31, 2018, 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 2018, net position of governmental activities increased \$422,441 from the prior year. The net position variances related primarily to an increase in municipal income tax revenue as a result of increased collections in the current year.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 17.7% and 60.4% of the total cash received for governmental activities during 2018.
- In 2018, net position of business-type activities increased \$477,287 from the prior year. This increase is due to bond proceeds received related to a general obligation bond issued in the current year for the City's water meter improvement project. The Village additionally received Ohio Public Works Commission (OPWC) grant funding and transfers from the general fund in the current year for other utilities system projects.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis provide information about the cash activities of the Village as a whole.

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

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

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

Basis of Accounting

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

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

Reporting the Village as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2018, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the cash balances of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, we divide the Village into two types of activities:

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

For the Year Ended December 31, 2018

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

- ***Governmental Funds*** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Street Construction Maintenance and Repair, and the 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 service funds.

Enterprise Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sanitary Sewer Funds and they are displayed separately in the proprietary fund statements on pages 22 through 23.

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

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

A Fiduciary Fund statement is on page 24 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 (Unaudited)

For the Year Ended December 31, 2018

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2018 and 2017 on a cash basis:

Table 1
Governmental Net Position – Cash Basis

	<u>2018</u>	<u>2017</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>6,832,017</u>	\$ <u>6,409,576</u>
Total Assets	<u>6,832,017</u>	<u>6,409,576</u>
Net Position:		
Restricted for:		
Debt Service	11,750	52,627
Capital Project	1,898,691	1,658,444
Permanent Fund Purposes:		
Expendable	9,874	16,339
Nonexpendable	16,082	16,082
Other Purposes	643,793	607,683
Unrestricted	<u>4,251,827</u>	<u>4,058,401</u>
Total Net Position	<u>\$ 6,832,017</u>	<u>\$ 6,409,576</u>

Business-Type Net Position – Cash Basis

	<u>2018</u>	<u>2017</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,358,453</u>	\$ <u>881,166</u>
Total Assets	<u>1,358,453</u>	<u>881,166</u>
Net Position:		
Unrestricted	<u>1,358,453</u>	<u>881,166</u>
Total Net Position	<u>\$ 1,358,453</u>	<u>\$ 881,166</u>

Net position of governmental activities increased \$422,441 during 2018. The primary reason contributing to the increase in the cash balance was due to the increase in the municipal income tax collections.

Net position of business-type activities increased \$477,287 during 2018. This variance is due to bond proceeds received related to general obligation bond issued for the City's water meter improvement project. The Village additionally received OPWC grant funding and transfers from the general fund in the current year for other utilities system projects.

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

Table 2 reflects the changes in net position on a cash basis in 2018 and 2017 for governmental activities.

(Table 2)
Changes in Governmental Net Position – Cash Basis

	<u>2018</u>	<u>2017</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 892,867	\$ 625,003
Capital Grants and Special Assessments	<u>10,420</u>	<u>10,821</u>
Total Program Receipts	<u>903,287</u>	<u>635,824</u>
General Receipts:		
Property Taxes	1,511,778	1,532,725
Municipal Income Taxes	5,169,809	4,555,344
Grants and Entitlements Not Restricted to Specific Programs	749,376	735,949
Loan Proceeds	-	1,200,000
Proceeds from Sale of Fixed Assets	3,544	18,762
Earnings on Investments	53,601	24,394
Miscellaneous	<u>161,968</u>	<u>246,028</u>
Total General Receipts	<u>7,650,076</u>	<u>8,313,202</u>
Total Receipts	<u>8,553,363</u>	<u>8,949,026</u>
Disbursements:		
General Government	1,673,716	1,532,970
Security of Persons and Property	2,428,718	2,288,620
Public Health Services	517,645	508,535
Leisure Time Activities	100,372	107,386
Community Development	227,063	229,266
Basic Utilities	306,255	294,429
Transportation	2,415,492	1,808,584
Principal Retirement	308,403	317,406
Interest and Fiscal Charges	<u>32,258</u>	<u>55,068</u>
Total Disbursements	<u>8,009,922</u>	<u>7,142,264</u>
Change in Net Position Before Transfers	543,441	1,806,762
Transfers, Net	<u>(121,000)</u>	<u>-</u>
Change in Net Position	422,441	1,806,762
Net Position, January 1	<u>6,409,576</u>	<u>4,602,814</u>
Net Position, December 31	<u>\$ 6,832,017</u>	<u>\$ 6,409,576</u>

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

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

	<u>2018</u>	<u>2017</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 3,329,578	\$ 3,026,347
Capital Grants	<u>79,920</u>	<u>-</u>
Total Program Receipts	<u>3,409,498</u>	<u>3,026,347</u>
General Receipts:		
Debt proceeds	950,000	-
Miscellaneous	<u>8,215</u>	<u>1,465</u>
Total General Receipts	<u>958,215</u>	<u>1,465</u>
Total Receipts	<u>4,367,713</u>	<u>3,027,812</u>
Disbursements:		
Water	1,915,521	1,809,557
Sewer	<u>2,095,905</u>	<u>1,457,141</u>
Total Disbursements	<u>4,011,426</u>	<u>3,266,698</u>
Change in Net Position Before Transfers	356,287	(238,886)
Transfers, Net	<u>121,000</u>	<u>-</u>
Change in Net Position	477,287	(238,886)
Net Position, January 1	<u>881,166</u>	<u>1,120,052</u>
Net Position, December 31	\$ <u>1,358,453</u>	\$ <u>881,166</u>

Business-Type Activities

Program receipts of business-type activities represent 76.0% 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 21.3% of the Village's total business-type receipts. They are primarily comprised of debt proceeds and miscellaneous fee revenue to operate water and sanitary sewer.

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

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

Governmental Activities

Program receipts of governmental activities represent only 10.6% of total governmental receipts. They consisted of monies received from franchise fees, parking meter fees, employee healthcare contributions, ambulance service receipts, and construction permit fees.

General receipts of governmental activities represent 89.4% in 2018. Of the Village's total governmental receipts, 17.7% and 60.4% are property taxes and income taxes, respectively. Unrestricted state and federal grants and entitlements and investment income constitute 10.5% of the Village's general receipts during 2018.

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

If you look at the Statement of Activities – Cash Basis on page 14, 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 30.3% and 30.2% of all governmental disbursements. General Government also represents a significant cost, approximately 20.9%. The next two columns of the Statement entitled Program Cash 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 (Unaudited)

For the Year Ended December 31, 2018

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 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
General Government	\$ 1,673,716	\$ (1,087,155)	\$ 1,532,970	\$ (1,165,822)
Security of Persons and Property	2,428,718	(2,193,437)	2,288,620	(2,104,515)
Public Health Services	517,645	(446,620)	508,535	(434,785)
Leisure Time Activities	100,372	(100,372)	107,386	(107,386)
Community Environment	227,063	(227,063)	229,266	(229,266)
Basic Utilities	306,255	(306,255)	294,429	(294,429)
Transportation	2,415,492	(2,405,072)	1,808,584	(1,797,763)
Principal Retirement	308,403	(308,403)	317,406	(317,406)
Interest and Fiscal Charges	32,258	(32,258)	55,068	(55,068)
Total Expenses	\$ <u>8,009,922</u>	\$ <u>(7,106,635)</u>	\$ <u>7,142,264</u>	\$ <u>(6,506,440)</u>

Business-Type Activities

The water and sanitary sewer operations of the Village are supported mainly by the charges for water and sanitary sewer services. The net cost to the Village of the water and sanitary sewer operations was \$601,928.

The Village's Funds

Total governmental funds had receipts and other financing sources of \$9,231,048 and disbursements and other financing uses of \$8,860,922. The greatest change within governmental funds occurred within the General Permanent Improvement Fund. This fund's balance increased \$240,247 primarily due to increased municipal income tax collections received in the current year.

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 2018, the Village amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was favorable; whereas the Village received \$257,519 more than budgeted. There was a favorable variance between the final budgeted expenditures and other financing uses and the actual expenditures and other financing uses, whereas the Village spent \$313,064 less than was budgeted. The result is an increase in fund balance of \$141,111 for 2018.

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

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, 2018, the Village's outstanding debt included \$1,959,000 in General Obligation Bonds and \$686,903 in Ohio Public Works Commission interest-free loans. For further information regarding the Village's debt, refer to Note 11 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 Angela Gergye, Finance Director, Village of Chagrin Falls, 21 West Washington Street, Chagrin Falls, Ohio 44022.

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Village of Chagrin Falls

Statement of Net Position – Cash Basis

December 31, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>6,832,017</u>	\$ <u>1,358,453</u>	\$ <u>8,190,470</u>
Total Assets	<u>6,832,017</u>	<u>1,358,453</u>	<u>8,190,470</u>
Net Position:			
Restricted for:			
Debt Service	11,750	-	11,750
Capital Projects	1,898,691	-	1,898,691
Permanent Fund Purposes:			
Expendable	9,874	-	9,874
Nonexpendable	16,082	-	16,082
Other Purposes	643,793	-	643,793
Unrestricted	<u>4,251,827</u>	<u>1,358,453</u>	<u>5,610,280</u>
Total Net Position	\$ <u><u>6,832,017</u></u>	\$ <u><u>1,358,453</u></u>	\$ <u><u>8,190,470</u></u>

Village of Chagrin Falls

Statement of Activities – Cash Basis

For the Year Ended December 31, 2018

		<u>Program Cash Receipts</u>	
	<u>Cash</u>	<u>Charges</u>	<u>Capital Grants</u>
	<u>Disbursements</u>	<u>for Services</u>	<u>and Special</u>
		<u>Activities</u>	<u>Assessments</u>
Governmental Activities:			
General Government	\$ 1,673,716	\$ 586,561	\$ -
Security of Persons and Property	2,428,718	235,281	-
Public Health Services	517,645	71,025	-
Leisure Time Activities	100,372	-	-
Community Development	227,063	-	-
Basic Utilities	306,255	-	-
Transportation	2,415,492	-	10,420
Principal Retirement	308,403	-	-
Interest and Fiscal Charges	<u>32,258</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>8,009,922</u>	<u>892,867</u>	<u>10,420</u>
Business-Type Activities:			
Water	1,915,521	1,841,177	-
Sewer	<u>2,095,905</u>	<u>1,488,401</u>	<u>79,920</u>
Total Business-Type Activities	<u>4,011,426</u>	<u>3,329,578</u>	<u>79,920</u>
 Total	 <u>\$ 12,021,348</u>	 <u>\$ 4,222,445</u>	 <u>\$ 90,340</u>

General Receipts:

- Property Taxes Levied for:
 - General Purposes
 - Debt Service
- Municipal Income Taxes
- Grants and Entitlements
 - not Restricted to Specific Programs
- Bond Proceeds
- Sale of Assets
- Earnings on Investments
- Miscellaneous
- Transfers
- Total General Receipts

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

Net (Disbursements) Receipts and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,087,155)	\$ -	\$ (1,087,155)
(2,193,437)	-	(2,193,437)
(446,620)	-	(446,620)
(100,372)	-	(100,372)
(227,063)	-	(227,063)
(306,255)	-	(306,255)
(2,405,072)	-	(2,405,072)
(308,403)	-	(308,403)
(32,258)	-	(32,258)
<u>(7,106,635)</u>	<u>-</u>	<u>(7,106,635)</u>
-	(74,344)	(74,344)
<u>-</u>	<u>(527,584)</u>	<u>(527,584)</u>
<u>-</u>	<u>(601,928)</u>	<u>(601,928)</u>
<u>(7,106,635)</u>	<u>(601,928)</u>	<u>(7,708,563)</u>
1,403,369	-	1,403,369
108,409	-	108,409
5,169,809	-	5,169,809
749,376	-	749,376
-	950,000	950,000
3,544	-	3,544
53,601	-	53,601
161,968	8,215	170,183
<u>(121,000)</u>	<u>121,000</u>	<u>-</u>
<u>7,529,076</u>	<u>1,079,215</u>	<u>8,608,291</u>
422,441	477,287	899,728
<u>6,409,576</u>	<u>881,166</u>	<u>7,290,742</u>
\$ <u>6,832,017</u>	\$ <u>1,358,453</u>	\$ <u>8,190,470</u>

Village of Chagrin Falls

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2018

	<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>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 3,956,270	\$ 496,159	\$ 1,898,691	\$ 128,132	\$ 6,479,252
Total Assets	<u>\$ 3,956,270</u>	<u>\$ 496,159</u>	<u>\$ 1,898,691</u>	<u>\$ 128,132</u>	<u>\$ 6,479,252</u>
Fund Balances					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	496,159	176,646	109,515	782,320
Committed	-	-	-	2,535	2,535
Assigned	332,349	-	1,722,045	-	2,054,394
Unassigned	<u>3,623,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,623,921</u>
Total Fund Balances	<u>\$ 3,956,270</u>	<u>\$ 496,159</u>	<u>\$ 1,898,691</u>	<u>\$ 128,132</u>	<u>\$ 6,479,252</u>

Village of Chagrin Falls

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

December 31, 2018

Total Governmental Fund Balances \$ 6,479,252

*Amounts reported for governmental activities in the Statement of
Net Position – Cash Basis are different because:*

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

Net Position	\$	440,957	
Internal Balances		<u>(88,192)</u>	<u>352,765</u>

Net Position of Governmental Activities \$ 6,832,017

Village of Chagrin Falls

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

For the Year Ended December 31, 2018

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	\$ 1,349,165	\$ -	\$ -	\$ 162,613	\$ 1,511,778
Municipal Income Taxes	3,562,926	627,428	979,455	-	5,169,809
Special Assessments	-	-	10,420	-	10,420
Charges for Services	532,597	-	-	2,535	535,132
Fines, Licenses and Permits	305,395	-	-	25	305,420
Intergovernmental	263,831	300,991	162,148	22,406	749,376
Earnings on Investments	53,601	-	-	-	53,601
Miscellaneous	<u>136,755</u>	<u>10,748</u>	<u>-</u>	<u>14,465</u>	<u>161,968</u>
Total Receipts	<u>6,204,270</u>	<u>939,167</u>	<u>1,152,023</u>	<u>202,044</u>	<u>8,497,504</u>
Disbursements:					
Current:					
General Government	1,466,020	-	-	5,822	1,471,842
Security of Persons and Property	2,339,998	-	-	88,720	2,428,718
Public Health Services	511,180	-	-	6,465	517,645
Leisure Time Activities	100,372	-	-	-	100,372
Community Development	227,063	-	-	-	227,063
Basic Utilities	306,255	-	-	-	306,255
Transportation	147,897	800,174	-	-	948,071
Capital Outlay	201,814	23,094	1,444,327	-	1,669,235
Debt Service:					
Principal Retirement	-	-	149,403	159,000	308,403
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>28,046</u>	<u>4,212</u>	<u>32,258</u>
Total Disbursements	<u>5,300,599</u>	<u>823,268</u>	<u>1,621,776</u>	<u>264,219</u>	<u>8,009,862</u>
Excess of Receipts Over (Under) Disbursements	<u>903,671</u>	<u>115,899</u>	<u>(469,753)</u>	<u>(62,175)</u>	<u>487,642</u>
Other Financing (Uses) Sources:					
Sale of Assets	-	-	-	3,544	3,544
Other Financing Uses	(60)	-	-	-	(60)
Transfers In	-	-	710,000	20,000	730,000
Transfers Out	<u>(851,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(851,000)</u>
Total Other Financing (Uses) Sources	<u>(851,060)</u>	<u>-</u>	<u>710,000</u>	<u>23,544</u>	<u>(117,516)</u>
Net Change in Fund Balances	52,611	115,899	240,247	(38,631)	370,126
Fund Balances, Beginning of Year	<u>3,903,659</u>	<u>380,260</u>	<u>1,658,444</u>	<u>166,763</u>	<u>6,109,126</u>
Fund Balances, End of Year	\$ <u>3,956,270</u>	\$ <u>496,159</u>	\$ <u>1,898,691</u>	\$ <u>128,132</u>	\$ <u>6,479,252</u>

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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 370,126

*Amounts reported for governmental activities in the
Statement of Activities – Cash Basis are different because:*

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

Change in Net Position	\$ 65,395	
Internal Balances	<u>(13,080)</u>	<u>52,315</u>

Change in Net Position of Governmental Activities \$ 422,441

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, 2018

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 1,465,516	\$ 1,465,517	\$ 1,349,165	\$ (116,352)
Municipal Income Taxes	2,919,617	3,287,697	3,562,926	275,229
Intergovernmental	216,195	243,451	263,831	20,380
Charges for Services	436,433	491,455	532,597	41,142
Fines, Licenses and Permits	250,254	281,804	305,395	23,591
Earnings on Investments	43,416	48,889	52,982	4,093
Miscellaneous	<u>100,096</u>	<u>112,715</u>	<u>122,151</u>	<u>9,436</u>
Total Receipts	<u>5,431,527</u>	<u>5,931,528</u>	<u>6,189,047</u>	<u>257,519</u>
Disbursements:				
Current:				
General Government	1,288,431	1,411,000	1,407,297	3,703
Security of Persons and Property	2,407,712	2,390,000	2,339,998	50,002
Public Health Services	526,574	523,000	511,180	11,820
Leisure Time Activities	152,022	125,000	100,372	24,628
Community Development	248,894	260,000	227,063	32,937
Basic Utilities	307,661	355,000	306,255	48,745
Transportation	146,986	165,000	147,897	17,103
Capital Outlay	<u>213,190</u>	<u>280,000</u>	<u>156,814</u>	<u>123,186</u>
Total Disbursements	<u>5,291,470</u>	<u>5,509,000</u>	<u>5,196,876</u>	<u>312,124</u>
Excess of Receipts Over Disbursements	140,057	422,528	992,171	569,643
Other Financing Uses:				
Transfers Out	(831,000)	(851,000)	(851,000)	-
Other Financing Uses	<u>-</u>	<u>(1,000)</u>	<u>(60)</u>	<u>940</u>
Total Other Financing Uses	<u>(831,000)</u>	<u>(852,000)</u>	<u>(851,060)</u>	<u>940</u>
Net Change in Fund Balance	(690,943)	(429,472)	141,111	570,583
Fund Balance, Beginning of Year	<u>3,757,951</u>	<u>3,757,951</u>	<u>3,757,951</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>3,067,008</u>	\$ <u>3,328,479</u>	\$ <u>3,899,062</u>	\$ <u>570,583</u>

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Municipal Income Taxes	\$ 668,069	\$ 614,623	\$ 627,428	\$ 12,805
Intergovernmental	320,487	294,848	300,991	6,143
Miscellaneous	<u>11,444</u>	<u>10,529</u>	<u>10,748</u>	<u>219</u>
Total Receipts	<u>1,000,000</u>	<u>920,000</u>	<u>939,167</u>	<u>19,167</u>
Disbursements:				
Current:				
Transportation	839,873	952,509	800,174	152,335
Capital Outlay	<u>24,240</u>	<u>27,491</u>	<u>23,094</u>	<u>4,397</u>
Total Disbursements	<u>864,113</u>	<u>980,000</u>	<u>823,268</u>	<u>156,732</u>
Net Change in Fund Balance	135,887	(60,000)	115,899	175,899
Fund Balance, Beginning of Year	<u>380,260</u>	<u>380,260</u>	<u>380,260</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>516,147</u>	\$ <u>320,260</u>	\$ <u>496,159</u>	\$ <u>175,899</u>

Village of Chagrin Falls

Statement of Fund Net Position – Cash Basis Proprietary Funds

December 31, 2018

	<u>Business-Type Activities</u>			<u>Governmental Activity</u>
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Total Enterprise Funds</u>	<u>Internal Service</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,195,362</u>	\$ <u>74,899</u>	\$ <u>1,270,261</u>	\$ <u>440,957</u>
Total Assets	<u>1,195,362</u>	<u>74,899</u>	<u>1,270,261</u>	<u>440,957</u>
Net Position:				
Unrestricted	<u>1,195,362</u>	<u>74,899</u>	<u>1,270,261</u>	<u>440,957</u>
	\$ <u>1,195,362</u>	\$ <u>74,899</u>	1,270,261	\$ <u>440,957</u>
Net position reported for Business-Type Activities in the Statement of Net Position – Cash Basis are different because their share of Internal Service Fund assets and liabilities are included			<u>88,192</u>	
Net position of Business-Type Activities			\$ <u>1,358,453</u>	

Village of Chagrin Falls

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

For the Year Ended December 31, 2018

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,841,177	\$ 1,488,401	\$ 3,329,578	\$ 415,300
Intergovernmental	-	79,920	79,920	-
Miscellaneous	8,084	-	8,084	1,296
Total Operating Receipts	<u>1,849,261</u>	<u>1,568,321</u>	<u>3,417,582</u>	<u>416,596</u>
Operating Disbursements:				
Personal Services	494,024	723,800	1,217,824	56,237
Contractual Services	1,128,136	490,688	1,618,824	23,364
Materials and Supplies	83,583	168,019	251,602	118,689
Other	198,746	715,333	914,079	152,911
Total Operating Disbursements	<u>1,904,489</u>	<u>2,097,840</u>	<u>4,002,329</u>	<u>351,201</u>
Operating (Loss) Income	<u>(55,228)</u>	<u>(529,519)</u>	<u>(584,747)</u>	<u>65,395</u>
Non-Operating Income (Disbursements):				
Bond Proceeds	950,000	-	950,000	-
Principal Retirement	(17,441)	(4,605)	(22,046)	-
Transfers In	-	121,000	121,000	-
Total Non-Operating Income (Disbursements)	<u>932,559</u>	<u>116,395</u>	<u>1,048,954</u>	<u>-</u>
Change in Net Position	877,331	(413,124)	464,207	65,395
Net Position, Beginning of Year	<u>318,031</u>	<u>488,023</u>		<u>375,562</u>
Net Position, End of Year	\$ <u>1,195,362</u>	\$ <u>74,899</u>		\$ <u>440,957</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 net position is included			<u>13,080</u>	
Change in Net Position of Business-Type Activities			\$ <u>477,287</u>	

Village of Chagrin Falls

Statement of Fiduciary Net Position – Cash Basis
Fiduciary Fund

December 31, 2018

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>144,185</u>
Net Position:	
Unrestricted	\$ <u><u>144,185</u></u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 1: Reporting Entity

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

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

The Village participates in a public entity risk pool and jointly governed organizations. Notes 14 and 16 to the financial statements provide additional information for these entities. The Public Entity Risk Pool is with the Northern Ohio Risk Management Association. The Jointly Governed Organizations are the Northeast Ohio Public Energy Council, Chagrin/Southeast Council, Valley Enforcement Regional Council of Governments, and the Chagrin Valley Dispatch Council.

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

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

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Village’s basic financial statements consist of government-wide financial statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

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

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

The Village maintains two agency funds, the Miscellaneous Deposit and the Paid/Received as Agent funds. The Miscellaneous Deposits fund accounts for the performance deposits provided by contractors for small jobs in the Village. The Paid/Received as Agent fund is used to account for State waiver transactions handled by the Village. Additionally, this fund accounts for the Village of Moreland Hills' hydrant maintenance assessment. The assessment is collected by the Village of Chagrin Falls through the submission of water bills to the residents of Moreland Hills.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

E. Cash and Investments

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

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

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

During 2018, the Village invested in nonnegotiable certificates of deposit and money market mutual funds. Investments are reported at cost, except for the money market mutual fund. The Village’s money market mutual fund investments are recorded at the amount reported by the respective banking institutions as of December 31, 2018.

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 2018 were \$53,601.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for other post-employment benefits (OPEB).

K. Long-Term Obligations

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

L. Net Position

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance

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

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

Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Internal Activity

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

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

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

Note 3: Compliance

The Village made transfers of \$155,033 and \$136,160 from its General Permanent Improvement Fund to its Water and Sanitary Sewer Funds, respectively, contrary to Ohio Revised Code section 5705.14.

Note 4: Budgetary Basis of Accounting

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 4: Budgetary Basis of Accounting (continued)

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2018 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Cash Basis	\$ 52,611	\$ 115,899
Increase Due To:		
Activity of Funds Reclassified for Cash Reporting Purposes	<u>88,500</u>	<u>-</u>
Budgetary Basis	\$ <u>141,111</u>	\$ <u>115,899</u>

Note 5: Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 5: Deposits and Investments (continued)

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

At December 31, 2018, the Village had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At December 31, 2018, the Village had a book balance of \$8,334,505. Of the Village's bank balance of \$8,413,833, \$6,487,760 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 5: Deposits and Investments (continued)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2018, the Village had only cash and cash equivalents.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 6: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. In 2018, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Cemetery Endowment	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted for:					
Road Maintenance and Improvements	-	496,159	162,148	-	658,307
Police Operations	-	-	-	28,451	28,451
Police and Fire Pension	-	-	-	21,913	21,913
Parks Maintenance	-	-	-	14,702	14,702
Safe Routes to School Program	-	-	-	22,825	22,825
Issue II Projects	-	-	14,498	-	14,498
Cemetery	-	-	-	9,874	9,874
Debt Service	-	-	-	11,750	11,750
Total Restricted	<u>-</u>	<u>496,159</u>	<u>176,646</u>	<u>109,515</u>	<u>782,320</u>
Committed for:					
Cemetery Perpetual Care	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,535</u>	<u>2,535</u>
Assigned to:					
Construction of Various Projects	-	-	1,722,045	-	1,722,045
Earned Interest	1,390	-	-	-	1,390
Giles Foundation	4,963	-	-	-	4,963
2019 Appropriations	<u>325,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,996</u>
Total Assigned	<u>332,349</u>	<u>-</u>	<u>1,722,045</u>	<u>-</u>	<u>2,054,394</u>
Unassigned	<u>3,623,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,623,921</u>
Total Fund Balances, December 31, 2018	<u>\$ 3,956,270</u>	<u>\$ 496,159</u>	<u>\$ 1,898,691</u>	<u>\$ 128,132</u>	<u>\$ 6,479,252</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 7: Income Taxes

The Village levies a 1.85% income tax on substantially all income earned in the Village. The Village's levied income tax proceeds are placed into the General Fund, the Street Construction Maintenance and Repair Fund and the General Permanent Improvement Fund. 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 75% credit of the actual taxes paid to another municipality up to a maximum of 1.85% tax rate. 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 8: Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received during 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2018 public utility property taxes which became a lien on December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2018, was \$8.30 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2018 property tax receipts were based are as follows:

	<u>2018</u>
Real Property:	
Residential/Agricultural	\$ 175,889,210
Commercial/Industrial/Mineral	25,756,130
Tangible Personal Property:	
Public Utility	<u>2,377,000</u>
Total Assessed Value	<u>\$ 204,022,340</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 9: Defined Benefit Pension Plans

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

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

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 9: Defined Benefit Pension Plans (continued)

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	<u>State and Local</u>
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 9: Defined Benefit Pension Plans (continued)

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

2018 Actual Contribution Rates

Employer:

Pension	14.0 %
Post-employment Health Care Benefits*	<u>0.0 %</u>

Total Employer 14.0 %

Employee 10.0 %

* This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4%.

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

The Village's contractually required contribution was \$294,918 for 2018.

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

Plan Description – Village full-time police officers participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC.

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 9: Defined Benefit Pension Plans (continued)

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	<u>Police</u>
2018 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2018 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contributions to OP&F was \$209,792 for 2018.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 10: Post-Employment Benefits

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post-employment benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the traditional pension plan and combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2018 was 4.0%.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 10: Post-Employment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$294,918 for 2018.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an other post-employment benefit (OPEB) as described in GASB Statement 75.

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

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

Funding Policy – The 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 19.5% and 24% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 10: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village's contractually required contribution to OP&F was \$209,792 for 2018.

Note 11: Debt

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

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Issuance</u>
General Obligation Bonds:			
Refunded Streetscape Bond	2014	2.75%	\$ 940,000
Various Purpose Improvement Bonds, Series 2017	2017	2.51%	1,200,000
Water Meter Improvement Bonds, Series 2018	2018	3.04%	950,000
Ohio Public Works Commission Loans:			
Ridegwood Road / Bell Street Sanitary Sewer Rehabilitation	1998	0.00%	282,274
West Washington Street Watermain Replacement	2003	0.00%	106,500
Falls Road Water System Improvements	2004	0.00%	258,000
Mill Street Stabilization	2016	0.00%	122,024
Solon Road Watermain Repair	2013	0.00%	523,240
WWTP Renovation	2008	0.00%	92,090

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 11: Debt (continued)

The Village's long-term debt activity for the years ended December 31, 2018, was as follows:

<u>December 31, 2018</u>	<u>Debt Outstanding 12/31/2017</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>General Obligation Bonds:</i>					
Refunded Streetscape Bond	\$ 159,000	\$ -	\$ 159,000	\$ -	\$ -
Various Purpose Improvement Bonds, Series 2017	<u>1,122,000</u>	<u>-</u>	<u>113,000</u>	<u>1,009,000</u>	<u>116,000</u>
Total General Obligation Bonds	<u>1,281,000</u>	<u>-</u>	<u>272,000</u>	<u>1,009,000</u>	<u>116,000</u>
<i>Ohio Public Works Commission Loans:</i>					
Ridgewood Road/Bell Street Sanitary Sewer Rehabilitation	14,111	-	14,111	-	-
West Washington Watermain Replacement	31,949	-	5,325	26,624	5,325
Falls Road Water System Improvement	83,850	-	12,900	70,950	12,900
Mill Street Stabilization	<u>115,923</u>	<u>-</u>	<u>4,067</u>	<u>111,856</u>	<u>4,067</u>
Total Ohio Public Works Commission	<u>245,833</u>	<u>-</u>	<u>36,403</u>	<u>209,430</u>	<u>22,292</u>
Total Governmental Activities	<u>1,526,833</u>	<u>-</u>	<u>308,403</u>	<u>1,218,430</u>	<u>138,292</u>
Business-Type Activities:					
<i>General Obligation Bonds:</i>					
Water Meter Improvement Bonds, Series 2018	<u>-</u>	<u>950,000</u>	<u>-</u>	<u>950,000</u>	<u>-</u>
Total General Obligation Bonds	<u>-</u>	<u>950,000</u>	<u>-</u>	<u>950,000</u>	<u>-</u>
<i>Ohio Public Works Commission Loan:</i>					
Solon Road Watermain Repair	453,476	-	17,441	436,035	17,441
WWTP Renovation	<u>46,043</u>	<u>-</u>	<u>4,605</u>	<u>41,438</u>	<u>4,605</u>
Total Ohio Public Works Commission	<u>499,519</u>	<u>-</u>	<u>22,046</u>	<u>477,473</u>	<u>22,046</u>
Total Business-Type Activities	<u>499,519</u>	<u>950,000</u>	<u>22,046</u>	<u>1,427,473</u>	<u>22,046</u>
Total Village	<u>\$ 2,026,352</u>	<u>\$ 950,000</u>	<u>\$ 330,449</u>	<u>\$ 2,645,903</u>	<u>\$ 160,338</u>

The Ohio Public Works Commission (OPWC) loans relate to road, sewer and watermain rehabilitation projects. These loans are interest free. The 1998 Ridgewood Road / Bell Street Sanitary Sewer Rehabilitation OPWC loan was repaid in full during 2018. The 2003 West Washington Street Watermain Replacement OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. The 2004 Falls Road Water System Improvements OPWC loan was for \$258,000 and will be repaid in semiannual installments of \$6,450 over 20 years. The 2008 WWTP Renovations OPWC loan was for \$92,090 and will be repaid in semiannual installments of \$2,302 over 20 years. The 2013 Solon Road Watermain Repair OPWC loan was for \$523,240 and will be repaid in semiannual installments of \$8,721 over 20 years. The 2016 Mill Street Stabilization OPWC loan was for \$122,024 and will be repaid in semiannual installments of \$2,034 over 30 years.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 11: Debt (continued)

The 2003 General Obligation Bond is being used for the streetscape capital improvement project. In 2014, the Village refunded \$940,000 of the outstanding General Obligation Bond for the purpose of obtaining a lower interest rate. This bond was repaid in full during 2018.

The 2017 General Obligation Bond is being used for various capital improvement projects. The balance will be repaid in annual installments, ranging from \$78,000 to \$137,000, over ten years with corresponding interest payments being paid semi-annually.

The 2018 General Obligation Bond is being used for a water meter improvement project. The balance will be repaid in annual installments starting in 2020, ranging from \$66,000 to \$94,000, over 13 years with corresponding interest payments being paid semi-annually.

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

Year	G.O. Bonds		OPWC	Total	
	Principal	Interest	Loans Principal	Principal	Interest
2019	\$ 116,000	\$ 52,120	\$ 44,338	\$ 160,338	\$ 52,120
2020	184,000	51,294	44,338	228,338	51,294
2021	189,000	46,327	44,338	233,338	46,327
2022	194,000	41,221	44,338	238,338	41,221
2023	201,000	35,981	44,338	245,338	35,981
2024-2028	802,000	99,097	132,407	934,407	99,097
2029-2033	273,000	16,781	107,544	380,544	16,781
2034-2038	-	-	107,544	107,544	-
2039-2043	-	-	107,546	107,546	-
2044-2048	-	-	10,172	10,172	-
Total	\$ <u>1,959,000</u>	\$ <u>342,821</u>	\$ <u>686,903</u>	\$ <u>2,645,903</u>	\$ <u>342,821</u>

The ORC provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The ORC further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5% of its tax valuation. The effects of the debt limitations at December 31, 2018, were an overall debt margin of \$19,475,096 and an unvoted debt margin of \$11,209,479.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 12: Interfund Transfers

The transfers among Village funds were made to provide additional resources for current operations, designated projects and for the payment of debt in accordance with budgetary authorizations. The Village made the following transfers during the year ended December 31, 2018:

Transfer to:	<u>Transfer from:</u>	
	General	<u>Fund</u>
General Permanent Improvement Fund	\$ 710,000	
Other Governmental Funds	20,000	
Sanitary Sewer Fund	<u>121,000</u>	
	\$ <u>851,000</u>	

Note 13: Contingent Liabilities

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

Note 14: Risk Management

A. Property and Liability

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights, and the Village of Chagrin Falls, for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must remain a member for at least three years from its initial commencement date. After the initial three years, each member may extend its term in additional three-year increments.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 14: Risk Management (continued)

A. Property and Liability (continued)

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$147,500 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any losses over the stop-loss coverage would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

Settled claims have not exceeded coverage in any of the past three years. Also, there have been no significant reductions in the limits of liability.

For the year ended December 31, 2018, the Village paid \$80,148 in premiums to NORMA from the general fund. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio 44143.

B. Worker's Compensation

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

Note 15: Engineering Services

The Village contracted with CT Consultants to provide services in connection with the construction of public improvements. The Village Engineer is an employee of CT Consultants. The Village paid \$611,815 to CT Consultants during 2018.

Note 16: Jointly Governed Organizations

A. Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in 219 communities in 14 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 16: Jointly Governed Organizations (continued)

A. Northeast Ohio Public Energy Council (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2018. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite #33, Solon, Ohio 44139.

B. Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments which operates the Chagrin/Southeast HazMat Response Team (the "Team"). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Village contributed to the organization \$3,500 in 2018. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

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

C. Valley Enforcement Regional Council of Governments

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

VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed to the organization \$8,000 in 2018. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 16: Jointly Governed Organizations (continued)

D. Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 16 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2018, the Village contributed \$183,778 to the CVD. Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville, Ohio 44141.

Note 17: Leases

The Village entered into a 120-month lease agreement as a lessee for financing a fire truck to be used within the Village, commencing August 2014. The total rental expense for the year ended December 31, 2018, was \$64,331. Future minimum payments for the remaining lease terms in excess of one year for the year ending December 31, 2018 are as follows:

2019	\$	64,331
2020		64,331
2021		64,331
2022		64,331
2023		64,331
2024		<u>48,248</u>
Total	\$	<u>369,903</u>

On November 12, 2018, the Village entered into a lease agreement with the Valley Lutheran Church, Inc., "Lessor", for the use of the Lessor owned parking lot. The Agreement is effective for a period of six months, commencing on the date of the agreement and ending on May 12, 2019. The agreement shall automatically continue for an additional six months unless either party gives written notice. The Village is to pay monthly rental payments of \$650.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 17: Leases (continued)

The Village also has the following lease agreement where they serve as the lessor:

On June 12, 2017, the Village entered into a lease agreement with T-Mobile Central LLC, “Lessee”, for the use of a Village owned cell tower and surrounding property to install the lessee’s equipment. The Agreement is effective as of the date the lessee commences installation of the equipment of the property, which is expected to be March 1, 2018. This agreement will remain effective for the next five years, with annual rental payments of \$24,000 per year.

Once the initial five-year term is met, this agreement will automatically be extended for five additional five-year terms unless the agreement is terminated. The rental payment will increase by 2% annually at the commencement of each extended year.

Note 18: Subsequent Events

Beginning in 2019 the City began receiving loan proceeds from OPWC related to the River and West Streets Water Supply and Wellfield-Greenbrier Water Transmission Main projects. The City received \$185,000 and \$765,742 in loan proceeds related to the River and West Streets Water Supply project and Wellfield-Greenbrier Water Transmission Main project, respectively.

In 2019 the City became aware of an instance of utilities fraud, which was investigated by the Chagrin Falls police. The employee was indicted for theft and the Village reviewed their internal controls in the building and utilities departments.

Note 19: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2017

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, 2017 and December 31, 2016, 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 2017, net position of governmental activities increased \$1,806,762 or 39.25% from the prior year. The net position variances related primarily to an increase in municipal income tax revenue as a result of increased tax rates taking effect January 1, 2017. Additionally, the Village received \$1.2 million in bond proceeds from general obligation bonds issued during the current year. In 2016, the net position variances related primarily to a decrease in security of persons and property expenditures as a result of receiving dispatch services from the Chagrin Valley Dispatch Council, thereby reducing dispatcher employment at the Village in the current year.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 17.13% and 50.90% of the total cash received for governmental activities during 2017.
- In 2017, net position of business-type activities decreased \$238,886 or 21.33% from the prior year. These variances are primarily due to sewer and water main repair project and supplies purchases exceeding the amount of water and sewer charges for services revenue received during 2017.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis provide information about the cash activities of the Village as a whole.

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

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

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2017

Basis of Accounting

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

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

Reporting the Village as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2017, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the cash balances of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, we divide the Village into two types of activities:

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

For the Year Ended December 31, 2017

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

- ***Governmental Funds*** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Street Construction Maintenance and Repair, and the 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 service 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 72 through 73.

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 74 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 (Unaudited)

For the Year Ended December 31, 2017

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2017 and 2016 on a cash basis:

	Table 1 Governmental Net Position	
	<u>2017</u>	<u>2016</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>6,409,576</u>	\$ <u>4,602,814</u>
Total Assets	<u>6,409,576</u>	<u>4,602,814</u>
Net Position:		
Restricted for:		
Debt Service	52,627	67,816
Capital Project	1,658,444	549,621
Permanent Fund Purposes:		
Expendable	16,339	16,339
Nonexpendable	16,082	16,082
Other Purposes	607,683	337,334
Unrestricted	<u>4,058,401</u>	<u>3,615,622</u>
Total Net Position	\$ <u><u>6,409,576</u></u>	\$ <u><u>4,602,814</u></u>
	Business-Type Net Position	
	<u>2017</u>	<u>2016</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>881,166</u>	\$ <u>1,120,052</u>
Total Assets	<u>881,166</u>	<u>1,120,052</u>
Net Position:		
Unrestricted	<u>881,166</u>	<u>1,120,052</u>
Total Net Position	\$ <u><u>881,166</u></u>	\$ <u><u>1,120,052</u></u>

Net position of governmental activities increased \$1,806,762 or 39.25% during 2017. The primary reason contributing to the increase in the cash balance was due to the increase in the municipal income tax rate, effective January 1, 2017. Additionally, the Village received debt proceeds of \$1.2 million for the purpose of various capital improvement projects.

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2017

Net position of business-type activities decreased \$238,886 or 21.33% during 2017. These variances are primarily due to sewer and water main repair project and supplies purchases exceeding the amount of water and sewer charges for services revenue received during 2017.

Table 2 reflects the changes in net position on a cash basis in 2017 and 2016 for governmental activities.

(Table 2)
Changes in Governmental Net Position

	<u>2017</u>	<u>2016</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 625,003	\$ 787,460
Capital Grants and Special Assessments	<u>10,821</u>	<u>12,134</u>
Total Program Receipts	<u>635,824</u>	<u>799,594</u>
General Receipts:		
Property Taxes	1,532,725	1,571,605
Municipal Income Taxes	4,555,344	3,686,959
Grants and Entitlements Not Restricted to Specific Programs	735,949	749,449
Loan Proceeds	1,200,000	122,024
Proceeds from Sale of Fixed Assets	18,762	-
Earnings on Investments	24,394	27,587
Miscellaneous	<u>246,028</u>	<u>383,143</u>
Total General Receipts	<u>8,313,202</u>	<u>6,540,767</u>
Total Receipts	<u>8,949,026</u>	<u>7,340,361</u>
Disbursements:		
General Government	1,532,970	1,403,744
Security of Persons and Property	2,288,620	2,355,774
Public Health Services	508,535	473,870
Leisure Time Activities	107,386	101,272
Community Development	229,266	209,161
Basic Utilities	294,429	285,752
Transportation	1,808,584	1,743,541
Principal Retirement	317,406	230,373
Interest and Fiscal Charges	<u>55,068</u>	<u>15,498</u>
Total Disbursements	<u>7,142,264</u>	<u>6,818,985</u>
Change in Net Position	1,806,762	521,376
Net Position, January 1	<u>4,602,814</u>	<u>4,081,438</u>
Net Position, December 31	\$ <u>6,409,576</u>	\$ <u>4,602,814</u>

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2017

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

	<u>2017</u>	<u>2016</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ <u>3,026,347</u>	\$ <u>2,960,259</u>
Total Program Receipts	<u>3,026,347</u>	<u>2,960,259</u>
General Receipts:		
Grants and Entitlements Not Restricted to Specific Programs	-	6,246
Miscellaneous	<u>1,465</u>	<u>2,267</u>
Total General Receipts	<u>1,465</u>	<u>8,513</u>
Total Receipts	<u>3,027,812</u>	<u>2,968,772</u>
Disbursements:		
Water	1,809,557	1,700,020
Sewer	<u>1,457,141</u>	<u>1,374,179</u>
Total Disbursements	<u>3,266,698</u>	<u>3,074,199</u>
Change in Net Position	(238,886)	(105,427)
Net Position, January 1	<u>1,120,052</u>	<u>1,225,479</u>
Net Position, December 31	\$ <u><u>881,166</u></u>	\$ <u><u>1,120,052</u></u>

Business-Type Activities

Program receipts of business-type activities represent 99.95% in 2017 of total business-type receipts. They are primarily comprised of charges for services to operate water and sanitary sewer.

General receipts of business-type activities represent 0.05% in 2017 of the Village's total business-type receipts. They are primarily comprised of intergovernmental and miscellaneous fee revenue to operate water and sanitary sewer.

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

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2017

Governmental Activities

Program receipts of governmental activities represent only 7.10% of total governmental receipts. They consisted of monies received from Chagrin Falls Township and the Villages of Bentleyville, Gates Mills, Highland Hills, Hunting Valley, Moreland Hills, North Randall, Orange, South Russell and Woodmere for radio contracts and from ambulance service receipts.

General receipts of governmental activities represent 92.90%. Of the Village's total governmental receipts, 17.13% and 50.90% are property taxes and income taxes, respectively. Unrestricted state and federal grants and entitlements and investment income constitute 9.15% of the Village's general receipts. The Village received \$1.2 million in bond proceeds, which was 14.43% of total general receipts. All other governmental receipts are insignificant and somewhat unpredictable revenue sources.

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

If you look at the Statement of Activities – Cash Basis on page 64, 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 32.04% and 25.32% of all governmental disbursements. General Government also represents a significant cost, approximately 21.46%. The next two columns of the Statement entitled Program Cash 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 (Unaudited)

For the Year Ended December 31, 2017

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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
General Government	\$ 1,532,970	\$ (1,165,822)	\$ 1,403,744	\$ (823,127)
Security of Persons and Property	2,288,620	(2,104,515)	2,355,774	(2,220,181)
Public Health Services	508,535	(434,785)	473,870	(402,620)
Leisure Time Activities	107,386	(107,386)	101,272	(101,272)
Community Environment	229,266	(229,266)	209,161	(209,161)
Basic Utilities	294,429	(294,429)	285,752	(285,752)
Transportation	1,808,584	(1,797,763)	1,743,541	(1,731,407)
Principal Retirement	317,406	(317,406)	230,373	(230,373)
Interest and Fiscal Charges	55,068	(55,068)	15,498	(15,498)
Total Expenses	\$ <u>7,142,264</u>	\$ <u>(6,506,440)</u>	\$ <u>6,818,985</u>	\$ <u>(6,019,391)</u>

Business-Type Activities

The water and sanitary sewer operations of the Village are supported mainly by the charges for water and sanitary sewer services. The net cost to the Village of the water and sanitary sewer operations was \$238,886.

The Village's Funds

Total governmental funds had receipts and other financing sources of \$9,241,105 and disbursements and other financing uses of \$7,343,264. The greatest change within governmental funds occurred within the General Permanent Improvement Fund. This fund's balance increased \$1,108,823 as the result of \$1.2 million in bond proceeds received in 2017.

Village of Chagrin Falls

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2017

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 2017, the Village amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was favorable; whereas the Village received \$368,384 more than budgeted. There was a favorable variance between the final budgeted expenditures and other financing uses and the actual expenditures and other financing uses, whereas the Village spent \$491,685 less than was budgeted. The result is an increase in fund balance of \$509,858.

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, 2017, the Village's outstanding debt included \$1,281,000 in General Obligation Bonds and \$745,351 in Ohio Public Works Commission interest-free loans. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Contacting the Village's Financial Management

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

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Village of Chagrin Falls

Statement of Net Position – Cash Basis

December 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>6,409,576</u>	\$ <u>881,166</u>	\$ <u>7,290,742</u>
Total Assets	<u>6,409,576</u>	<u>881,166</u>	<u>7,290,742</u>
Net Position:			
Restricted for:			
Debt Service	52,627	-	52,627
Capital Projects	1,658,444	-	1,658,444
Permanent Fund Purposes:			
Expendable	16,339	-	16,339
Nonexpendable	16,082	-	16,082
Other Purposes	607,683	-	607,683
Unrestricted	<u>4,058,401</u>	<u>881,166</u>	<u>4,939,567</u>
Total Net Position	<u>\$ <u>6,409,576</u></u>	<u>\$ <u>881,166</u></u>	<u>\$ <u>7,290,742</u></u>

Village of Chagrin Falls

Statement of Activities – Cash Basis

For the Year Ended December 31, 2017

		<u>Program Cash Receipts</u>	
	<u>Cash</u>	<u>Charges</u>	<u>Capital Grants</u>
	<u>Disbursements</u>	<u>for Services</u>	<u>and Special</u>
		<u>Activities</u>	<u>Assessments</u>
Governmental Activities:			
General Government	\$ 1,532,970	\$ 367,148	\$ -
Security of Persons and Property	2,288,620	184,105	-
Public Health Services	508,535	73,750	-
Leisure Time Activities	107,386	-	-
Community Development	229,266	-	-
Basic Utilities	294,429	-	-
Transportation	1,808,584	-	10,821
Principal Retirement	317,406	-	-
Interest and Fiscal Charges	55,068	-	-
Total Governmental Activities	<u>7,142,264</u>	<u>625,003</u>	<u>10,821</u>
Business-Type Activities:			
Water	1,809,557	1,688,291	-
Sewer	<u>1,457,141</u>	<u>1,338,056</u>	<u>-</u>
Total Business-Type Activities	<u>3,266,698</u>	<u>3,026,347</u>	<u>-</u>
Total	<u>\$ 10,408,962</u>	<u>\$ 3,651,350</u>	<u>\$ 10,821</u>

General Receipts:

- Property Taxes Levied for:
 - General Purposes
 - Debt Service
- Municipal Income Taxes
- Grants and Entitlements
 - not Restricted to Specific Programs
- Bond Proceeds
- Sale of Assets
- Earnings on Investments
- Miscellaneous
- Total General Receipts

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

Net (Disbursements) Receipts and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,165,822)	\$ -	\$ (1,165,822)
(2,104,515)	-	(2,104,515)
(434,785)	-	(434,785)
(107,386)	-	(107,386)
(229,266)	-	(229,266)
(294,429)	-	(294,429)
(1,797,763)	-	(1,797,763)
(317,406)	-	(317,406)
(55,068)	-	(55,068)
<u>(6,506,440)</u>	<u>-</u>	<u>(6,506,440)</u>
-	(121,266)	(121,266)
<u>-</u>	<u>(119,085)</u>	<u>(119,085)</u>
<u>-</u>	<u>(240,351)</u>	<u>(240,351)</u>
<u>(6,506,440)</u>	<u>(240,351)</u>	<u>(6,746,791)</u>
1,358,177	-	1,358,177
174,548	-	174,548
4,555,344	-	4,555,344
735,949	-	735,949
1,200,000	-	1,200,000
18,762	-	18,762
24,394	-	24,394
<u>246,028</u>	<u>1,465</u>	<u>247,493</u>
<u>8,313,202</u>	<u>1,465</u>	<u>8,314,667</u>
1,806,762	(238,886)	1,567,876
<u>4,602,814</u>	<u>1,120,052</u>	<u>5,722,866</u>
\$ <u>6,409,576</u>	\$ <u>881,166</u>	\$ <u>7,290,742</u>

Village of Chagrin Falls

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2017

	<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>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 3,903,659	\$ 380,260	\$ 1,658,444	\$ 166,763	\$ 6,109,126
Total Assets	<u>\$ 3,903,659</u>	<u>\$ 380,260</u>	<u>\$ 1,658,444</u>	<u>\$ 166,763</u>	<u>\$ 6,109,126</u>
Fund Balances					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted	-	380,260	19,823	150,681	550,764
Assigned	435,206	-	1,638,621	-	2,073,827
Unassigned	<u>3,468,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,468,453</u>
Total Fund Balances	<u>\$ 3,903,659</u>	<u>\$ 380,260</u>	<u>\$ 1,658,444</u>	<u>\$ 166,763</u>	<u>\$ 6,109,126</u>

Village of Chagrin Falls

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

December 31, 2017

Total Governmental Fund Balances \$ 6,109,126

*Amounts reported for governmental activities in the Statement of
 Net Position – Cash Basis are different because:*

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

Net Position	\$	375,562	
Internal Balances		<u>(75,112)</u>	<u>300,450</u>

Net Position of Governmental Activities \$ 6,409,576

Village of Chagrin Falls

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

For the Year Ended December 31, 2017

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	\$ 1,305,810	\$ -	\$ -	\$ 226,915	\$ 1,532,725
Municipal Income Taxes	3,324,165	586,027	645,152	-	4,555,344
Special Assessments	-	-	10,821	-	10,821
Charges for Services	462,643	-	-	-	462,643
Fines, Licenses and Permits	229,278	-	-	161	229,439
Intergovernmental	257,233	306,438	140,808	31,470	735,949
Earnings on Investments	24,394	-	-	-	24,394
Miscellaneous	224,266	4,573	6,001	11,188	246,028
Total Receipts	<u>5,827,789</u>	<u>897,038</u>	<u>802,782</u>	<u>269,734</u>	<u>7,797,343</u>
Disbursements:					
Current:					
General Government	1,426,474	-	-	5,402	1,431,876
Security of Persons and Property	2,218,461	-	-	70,159	2,288,620
Public Health Services	508,535	-	-	-	508,535
Leisure Time Activities	107,386	-	-	-	107,386
Community Development	229,266	-	-	-	229,266
Basic Utilities	294,429	-	-	-	294,429
Transportation	103,926	748,853	-	-	852,779
Capital Outlay	95,790	26,891	934,218	-	1,056,899
Debt Service:					
Principal Retirement	-	-	114,406	203,000	317,406
Interest and Fiscal Charges	-	-	21,335	9,733	31,068
Bond Issuance Costs	-	-	24,000	-	24,000
Total Disbursements	<u>4,984,267</u>	<u>775,744</u>	<u>1,093,959</u>	<u>288,294</u>	<u>7,142,264</u>
Excess of Receipts Over (Under) Disbursements	<u>843,522</u>	<u>121,294</u>	<u>(291,177)</u>	<u>(18,560)</u>	<u>655,079</u>
Other Financing (Uses) Sources:					
Bond Proceeds	-	-	1,200,000	-	1,200,000
Sale of Assets	-	18,762	-	-	18,762
Transfers In	-	-	200,000	25,000	225,000
Transfers Out	<u>(225,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(225,000)</u>
Total Other Financing (Uses) Sources	<u>(225,000)</u>	<u>18,762</u>	<u>1,400,000</u>	<u>25,000</u>	<u>1,218,762</u>
Net Change in Fund Balances	618,522	140,056	1,108,823	6,440	1,873,841
Fund Balances, Beginning of Year	<u>3,285,137</u>	<u>240,204</u>	<u>549,621</u>	<u>160,323</u>	<u>4,235,285</u>
Fund Balances, End of Year	\$ <u>3,903,659</u>	\$ <u>380,260</u>	\$ <u>1,658,444</u>	\$ <u>166,763</u>	\$ <u>6,109,126</u>

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 1,873,841

*Amounts reported for governmental activities in the
Statement of Activities – Cash Basis are different because:*

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

Change in Net Position	\$ (83,851)	
Internal Balances	<u>16,772</u>	<u>(67,079)</u>

Change in Net Position of Governmental Activities \$ 1,806,762

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
Property and Other Local Taxes	\$ 1,474,245	\$ 1,474,246	\$ 1,305,810	\$ (168,436)
Municipal Income Taxes	3,003,535	2,919,004	3,324,165	405,161
Intergovernmental	232,422	225,880	257,233	31,353
Charges for Services	418,019	406,254	462,643	56,389
Fines, Licenses and Permits	207,163	201,333	229,278	27,945
Earnings on Investments	21,485	20,880	23,778	2,898
Miscellaneous	<u>96,920</u>	<u>94,192</u>	<u>107,266</u>	<u>13,074</u>
Total Receipts	<u>5,453,789</u>	<u>5,341,789</u>	<u>5,710,173</u>	<u>368,384</u>
Disbursements:				
Current:				
General Government	1,236,700	1,529,000	1,417,522	111,478
Security of Persons and Property	2,290,400	2,255,000	2,218,461	36,539
Public Health Services	483,020	555,000	508,535	46,465
Leisure Time Activities	130,060	135,000	107,386	27,614
Community Development	217,920	280,000	229,266	50,734
Basic Utilities	293,880	320,000	294,429	25,571
Transportation	108,780	143,000	103,926	39,074
Capital Outlay	<u>185,500</u>	<u>250,000</u>	<u>95,790</u>	<u>154,210</u>
Total Disbursements	<u>4,946,260</u>	<u>5,467,000</u>	<u>4,975,315</u>	<u>491,685</u>
Excess of Receipts Over (Under) Disbursements	507,529	(125,211)	734,858	860,069
Other Financing Uses:				
Transfers Out	<u>(200,000)</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Net Change in Fund Balance	307,529	(350,211)	509,858	860,069
Fund Balance, Beginning of Year	<u>3,248,093</u>	<u>3,248,093</u>	<u>3,248,093</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>3,555,622</u>	\$ <u>2,897,882</u>	\$ <u>3,757,951</u>	\$ <u>860,069</u>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts:				
Municipal Income Taxes	\$ 588,715	\$ 639,907	\$ 586,027	\$ (53,880)
Intergovernmental	307,843	334,612	306,438	(28,174)
Miscellaneous	4,594	4,993	4,573	(420)
Total Receipts	<u>901,152</u>	<u>979,512</u>	<u>897,038</u>	<u>(82,474)</u>
Disbursements:				
Current:				
Transportation	816,481	931,548	748,853	182,695
Capital Outlay	<u>29,319</u>	<u>33,452</u>	<u>26,891</u>	<u>6,561</u>
Total Disbursements	<u>845,800</u>	<u>965,000</u>	<u>775,744</u>	<u>189,256</u>
Excess of Receipts Over Disbursements	55,352	14,512	121,294	106,782
Other Financing Sources:				
Proceeds from Sale of Assets	<u>18,848</u>	<u>20,488</u>	<u>18,762</u>	<u>(1,726)</u>
Net Change in Fund Balance	74,200	35,000	140,056	105,056
Fund Balance, Beginning of Year	<u>240,204</u>	<u>240,204</u>	<u>240,204</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>314,404</u></u>	\$ <u><u>275,204</u></u>	\$ <u><u>380,260</u></u>	\$ <u><u>105,056</u></u>

Village of Chagrin Falls

Statement of Fund Net Position – Cash Basis Proprietary Funds

December 31, 2017

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>318,031</u>	\$ <u>488,023</u>	\$ <u>806,054</u>	\$ <u>375,562</u>
Total Assets	<u>318,031</u>	<u>488,023</u>	<u>806,054</u>	<u>375,562</u>
Net Position:				
Unrestricted	<u>318,031</u>	<u>488,023</u>	<u>806,054</u>	<u>375,562</u>
	\$ <u>318,031</u>	\$ <u>488,023</u>	806,054	\$ <u>375,562</u>
Net position reported for Business-Type Activities in the Statement of Net Position – Cash Basis are different because their share of Internal Service Fund assets and liabilities are included			<u>75,112</u>	
Net position of Business-Type Activities			\$ <u>881,166</u>	

Village of Chagrin Falls

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

For the Year Ended December 31, 2017

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating Receipts:				
Charges for Services	\$ 1,688,291	\$ 1,338,056	\$ 3,026,347	\$ 325,000
Miscellaneous	<u>1,453</u>	<u>-</u>	<u>1,453</u>	<u>115</u>
Total Operating Receipts	<u>1,689,744</u>	<u>1,338,056</u>	<u>3,027,800</u>	<u>325,115</u>
Operating Disbursements:				
Personal Services	440,772	790,630	1,231,402	49,486
Contractual Services	1,237,789	409,271	1,647,060	45,195
Materials and Supplies	36,714	136,829	173,543	94,432
Other	<u>68,443</u>	<u>107,421</u>	<u>175,864</u>	<u>219,853</u>
Total Operating Disbursements	<u>1,783,718</u>	<u>1,444,151</u>	<u>3,227,869</u>	<u>408,966</u>
Operating Loss	<u>(93,974)</u>	<u>(106,095)</u>	<u>(200,069)</u>	<u>(83,851)</u>
Non-Operating Disbursements:				
Principal Retirement	<u>(17,441)</u>	<u>(4,604)</u>	<u>(22,045)</u>	<u>-</u>
Total Non-Operating Disbursements	<u>(17,441)</u>	<u>(4,604)</u>	<u>(22,045)</u>	<u>-</u>
Change in Net Position	(111,415)	(110,699)	(222,114)	(83,851)
Net Position, Beginning of Year	<u>429,446</u>	<u>598,722</u>		<u>459,413</u>
Net Position, End of Year	\$ <u>318,031</u>	\$ <u>488,023</u>		\$ <u>375,562</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 net position is included			<u>(16,772)</u>	
Change in Net Position of Business-Type Activities			\$ <u>(238,886)</u>	

Village of Chagrin Falls

Statement of Fiduciary Net Position – Cash Basis
Fiduciary Fund

December 31, 2017

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>132,257</u>
Net Position:	
Unrestricted	\$ <u><u>132,257</u></u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 1: Reporting Entity

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

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

The Village participates in a public entity risk pool and jointly governed organizations. Notes 13 and 15 to the financial statements provide additional information for these entities. The Public Entity Risk Pool is with the Northern Ohio Risk Management Association. The Jointly Governed Organizations are the Northeast Ohio Public Energy Council, Chagrin/Southeast Council, Valley Enforcement Regional Council of Governments, and the Chagrin Valley Dispatch Council.

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

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

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Village’s basic financial statements consist of government-wide financial statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

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

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

The Village maintains two agency funds, the Miscellaneous Deposit and the Paid/Received as Agent funds. The Miscellaneous Deposits fund accounts for the performance deposits provided by contractors for small jobs in the Village. The Paid/Received as Agent fund is used to account for the Chagrin Valley Dispatch Council's (CVDC) operating transactions. The CVDC's operating revenues and expenditures are maintained separately within this fund. Additionally, this fund accounts for the Village of Moreland Hills' hydrant maintenance assessment. The assessment is collected by the Village of Chagrin Falls through the submission of water bills to the residents of Moreland Hills.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 2: Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

E. Cash and Investments

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

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

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

During 2017, the Village invested in nonnegotiable certificates of deposit and money market mutual funds. Investments are reported at cost, except for the money market mutual fund. The Village’s money market mutual fund investments are recorded at the amount reported by the respective banking institutions as of December 31, 2017.

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 2017 was \$24,394.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 2: Summary of Significant Accounting Policies (continued)

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post-employment health care benefits.

K. Long-Term Obligations

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

L. Net Position

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance

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

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

Restricted The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Internal Activity

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

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

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

Note 3: Budgetary Basis of Accounting

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 3: Budgetary Basis of Accounting (continued)

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2017 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Cash Basis	\$ 618,522	\$ 140,056
Increase Due To:		
Activity of Funds Reclassified for Cash Reporting Purposes	<u>(108,664)</u>	<u>-</u>
Budgetary Basis	\$ <u>509,858</u>	\$ <u>140,056</u>

Note 4: Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 4: Deposits and Investments (continued)

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

At December 31, 2017 the Village had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At December 31, 2017 the Village had a book balance of \$7,422,849. Of the Village's 2017 bank balance of \$7,471,882, \$5,663,729 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 4: Deposits and Investments (continued)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Effective July 1, 2017, participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2017, the Village had only cash and cash equivalents.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 5: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. In 2017, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Cemetery Endowment	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted for:					
Road Maintenance and Improvements	-	380,260	-	-	380,260
Police Operations	-	-	-	21,197	21,197
Police and Fire Pension	-	-	-	24,114	24,114
Safe Routes to School Program	-	-	-	14,702	14,702
Parks Maintenance	-	-	-	21,702	21,702
Issue II Projects	-	-	19,823	-	19,823
Cemetery	-	-	-	16,339	16,339
Debt Service	-	-	-	52,627	52,627
Total Restricted	<u>-</u>	<u>380,260</u>	<u>19,823</u>	<u>150,681</u>	<u>550,764</u>
Assigned to:					
Construction of Various Projects	-	-	1,638,621	-	1,638,621
Earned Interest	771	-	-	-	771
Giles Foundation	4,963	-	-	-	4,963
2018 Appropriations	429,472	-	-	-	429,472
Total Assigned	<u>435,206</u>	<u>-</u>	<u>1,638,621</u>	<u>-</u>	<u>2,073,827</u>
Unassigned	<u>3,468,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,468,453</u>
Total Fund Balances, December 31, 2017	\$ <u>3,903,659</u>	\$ <u>380,260</u>	\$ <u>1,658,444</u>	\$ <u>166,763</u>	\$ <u>6,109,126</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 6: Income Taxes

Effective January 1, 2017, the Village's income tax rate increased from 1.50% to 1.85%. The Village's levied income tax 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 75% credit of the actual taxes paid to another municipality up to a maximum of 1.85% tax rate. 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 7: Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received in 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes are levied after October 1, 2016 on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2017 public utility property taxes which became a lien on December 31, 2016, are levied after October 1, 2016, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$8.90 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2017 property tax receipts were based are as follows:

	<u>2017</u>
Real Property:	
Residential/Agricultural	\$ 173,358,080
Commercial/Industrial/Mineral	26,920,850
Tangible Personal Property:	
Public Utility	<u>2,212,830</u>
Total Assessed Value	<u>\$ 202,491,760</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 8: Defined Benefit Pension Plans

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

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

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 8: Defined Benefit Pension Plans (continued)

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

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

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

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0 %</u>
Total Employer	<u><u>14.0 %</u></u>
Employee	10.0 %

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

In 2017, the Village's contractually required contribution, net of post-employment health care benefits was \$264,001. The Village made contributions of \$1,670 in 2017 to the member-directed plan.

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

Plan Description – Village full-time police officers participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC.

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 8: Defined Benefit Pension Plans (continued)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	<u>Police</u>
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2017 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>
Employee	12.25 %

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 8: Defined Benefit Pension Plans (continued)

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

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contributions to OP&F for pension, net of health care was \$187,576 for 2017.

Note 9: Post-Employment Benefits

A. Ohio Public Employees Retirement System

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the member-directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 9: Post-Employment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 2.0% during calendar year 2016, and was 1.0% during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 %.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended 2017, 2016, and 2015 were \$20,299, \$41,469 and \$54,377, respectively; 100% has been contributed for 2017, 2016 and 2015.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 9: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

Funding Policy – 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 19.5% and 24% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017 and 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions for health care for the years ending December 31, 2017, 2016, and 2015 were \$5,007, \$4,981, and \$4,592, respectively; 100% has been contributed for 2017, 2016 and 2015.

Note 10: Debt

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

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Issuance</u>
General Obligation Bonds:			
Refunded Streetscape Bond	2014	2.750%	\$ 940,000
Various Purpose Improvement Bonds, Series 2017	2017	2.510%	1,200,000

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 10: Debt (continued)

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Issuance</u>
Ohio Public Works Commission Loans:			
Ridewood Road / Bell Street Sanitary Sewer Rehabilitation	1998	0.000%	282,274
West Washington Street Watermain Replacement	2003	0.000%	106,500
Falls Road Water System Improvements	2004	0.000%	258,000
Mill Street Stabilization	2016	0.000%	122,024
Solon Road Watermain Repair	2013	0.000%	523,240
WWTP Renovation	2008	0.000%	92,090

The Village's long-term debt activity for the year ended December 31, 2017 was as follows:

<u>December 31, 2017</u>	<u>Debt Outstanding 12/31/2016</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>General Obligation Bonds:</i>					
Refunded Streetscape Bond	\$ 362,000	\$ -	\$ 203,000	\$ 159,000	\$ 159,000
Various Purpose Improvement Bonds, Series 2017	-	1,200,000	78,000	1,122,000	113,000
Total General Obligation Bonds	<u>362,000</u>	<u>1,200,000</u>	<u>281,000</u>	<u>1,281,000</u>	<u>272,000</u>
<i>Ohio Public Works Commission Loans:</i>					
Ridewood Road/Bell Street Sanitary Sewer Rehabilitation	28,225	-	14,114	14,111	14,111
West Washington Watermain Replacement	37,274	-	5,325	31,949	5,325
Falls Road Water System Improvement	96,750	-	12,900	83,850	12,900
Mill Street Stabilization	119,990	-	4,068	115,922	4,067
Total Ohio Public Works Commission	<u>282,239</u>	<u>-</u>	<u>36,407</u>	<u>245,832</u>	<u>36,403</u>
Total Governmental Activities	<u>644,239</u>	<u>1,200,000</u>	<u>317,407</u>	<u>1,526,832</u>	<u>308,403</u>
Business-Type Activities:					
<i>Ohio Public Works Commission Loan:</i>					
Solon Road Watermain Repair	470,917	-	17,441	453,476	17,441
WWTP Renovation	50,647	-	4,604	46,043	4,604
Total Business-Type Activities	<u>521,564</u>	<u>-</u>	<u>22,045</u>	<u>499,519</u>	<u>22,045</u>
Total Village	\$ <u>1,165,803</u>	\$ <u>1,200,000</u>	\$ <u>339,452</u>	\$ <u>2,026,351</u>	\$ <u>330,448</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 10: Debt (continued)

The Ohio Public Works Commission (OPWC) loans relate to road, sewer and watermain rehabilitation projects. These loans are interest free. The 1998 Ridewood Road / Bell Street Sanitary Sewer Rehabilitation OPWC loan was for \$282,274 and will be repaid in semiannual installments of \$7,057 over 20 years. The 2003 West Washington Street Watermain Replacement OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. The 2004 Falls Road Water System Improvements OPWC loan was for \$258,000 and will be repaid in semiannual installments of \$6,450 over 20 years. The 2008 WWTP Renovations OPWC loan was for \$92,090 and will be repaid in semiannual installments of \$2,302 over 20 years. The 2013 Solon Road Watermain Repair OPWC loan was for \$523,240 and will be repaid in semiannual installments of \$8,721 over 20 years. The 2016 Mill Street Stabilization OPWC loan was for \$122,024 and will be repaid in semiannual installments of \$2,034 over 30 years.

The 2003 General Obligation Bond is being used for the streetscape capital improvement project. In 2014, the Village refunded \$940,000 of the outstanding General Obligation Bond for the purpose of obtaining a lower interest rate. The refunded balance will be repaid in annual installments, ranging from \$159,000 to \$203,000, over five years with corresponding interest payments being paid semi-annually.

The 2017 General Obligation Bond is being used for various capital improvement projects. The balance will be repaid in annual installments, ranging from \$78,000 to \$137,000, over ten years with corresponding interest payments being paid semi-annually.

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

<u>Year</u>	<u>G.O. Bonds</u>		<u>OPWC</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Loans</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 272,000	\$ 32,535	\$ 58,448	\$ 330,448	\$ 32,535
2019	116,000	25,326	44,338	160,338	25,326
2020	118,000	22,414	44,338	162,338	22,414
2021	121,000	19,453	44,338	165,338	19,453
2022	124,000	16,415	44,338	168,338	16,415
2023-2027	530,000	33,634	155,237	685,237	33,634
2028-2032	-	-	107,544	107,544	-
2033-2037	-	-	107,544	107,544	-
2038-2042	-	-	107,544	107,544	-
2043-2047	-	-	31,682	31,682	-
Total	\$ <u>1,281,000</u>	\$ <u>149,777</u>	\$ <u>745,351</u>	\$ <u>2,026,351</u>	\$ <u>149,777</u>

The ORC provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The ORC further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5% of its tax valuation. The effects of the debt limitations at December 31, 2017, were an overall debt margin of \$20,033,262 and an unvoted debt margin of \$11,084,420.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 11: Interfund Transfers

During 2017, the Village transferred \$200,000 to the General Permanent Improvement Fund from the General Fund. The Village also transferred \$25,000 to the Police Pension Fund from the General Fund. All transfers were in accordance with budgetary authorizations.

Note 12: Contingent Liabilities

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

Note 13: Risk Management

A. Property and Liability

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights, and the Village of Chagrin Falls, for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993, and the City of University Heights, whose commencement date is October 1, 2008. After the initial three years, each member may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any losses over the stop-loss coverage would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

For the year ended December 31, 2017, the Village paid \$72,450, in premiums to NORMA from the general fund. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Mayfield Heights, 6154 Mayfield Road, Mayfield Heights, Ohio 44124.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 13: Risk Management (continued)

B. Worker's Compensation

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

Note 14: Engineering Services

The Village contracted with CT Consultants to provide services in connection with the Construction of public improvements. The Village Engineer is an employee of CT Consultants. The Village paid \$283,753 to CT Consultants during 2017.

Note 15: Jointly Governed Organizations

A. Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in 200 communities in 13 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2017. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

B. Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments which operates the Chagrin/Southeast HazMat Response Team (the "Team"). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Village contributed to the organization \$3,500 in 2017. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 15: Jointly Governed Organizations (continued)

C. Valley Enforcement Regional Council of Governments

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

VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed to the organization \$7,000 in 2017. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

D. Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 13 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2017 the Village contributed \$170,94 to the CVD. Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio 44141.

Note 16: Leases

The Village entered into a 120-month lease agreement as a lessee for financing a fire truck to be used within the Village, commencing August 2014. The total rental expense for the year ended December 31, 2017, was \$64,331.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 16: Leases (continued)

Future minimum payments for the remaining lease terms in excess of one year for the years ending December 31, 2017 are as follows:

2018	\$	64,331
2019		64,331
2020		64,331
2021		64,331
2022		64,331
2023-2024		<u>112,579</u>
Total	\$	<u>434,234</u>

The Village also has the following lease agreement where they serve as the lessor:

On June 12, 2017, the Village entered into a Lease Agreement with T-Mobile Central LLC, “Lessee”, for the use of a Village owned cell tower and surrounding property to install the lessee’s equipment. The Agreement is effective as of the date the lessee commences installation of the equipment of the property, which is expected to be March 1, 2018. This agreement will remain effective for the next five years, with annual rental payments of \$24,000 per year.

Once the initial five year term is met, this agreement will automatically be extended for five additional five-year terms unless the agreement is terminated. The rental payment will increase by 2% annually at the commencement of each extended year.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 4, 2022, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

October 4, 2022

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Transfers – Noncompliance

Ohio Rev. Code § 5705.14 stipulates no transfer may be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund [i.e. a capital project fund financed with bond proceeds] no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable;
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision;
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located;
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund; and
- Money may be transferred from the general fund to any other fund of the subdivision.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

Ohio Rev. Code §§ 5705.15 and .16 provide, in part, in addition to transfers permitted by Ohio Rev. Code § 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code § 5705.15.

As a result of a lack of internal controls over transfers, in 2018, the Village made transfers of \$155,033 and \$136,160 from its General Permanent Improvement Fund to its Water and Sanitary Sewer Funds, respectively, which are not allowable under the above provisions. This resulted in the Village making adjustments to its accounting system and financial statements to return the funds to the General Permanent Improvement Fund.

The Village should review and make transfers in accordance with the above Ohio Rev. Code Sections.

Officials' Response: We did not receive a response from Officials to this finding.



VILLAGE OF CHAGRIN FALLS
21 West Washington Street
Chagrin Falls, Ohio 44022

Telephone: (440) 247-5050 | Fax: (440) 247-1510
www.chagrin-falls.org

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Reporting	Not Corrected	Re-issued in the Management Letter

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CHAGRIN FALLS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/18/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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