



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY  
DECEMBER 31, 2020 AND 2019**

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**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY  
DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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 2020 financial statements and Note 20 to the 2019 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 February 24, 2023, 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

February 24, 2023

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2020

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This discussion and analysis of the Village of Chagrin Falls' (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2020, 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 2020, net position of governmental activities increased \$778,218 from the prior year. The net position variance related primarily to a decrease in transportation expense. Transportation expense decreased as transportation projects were completed.
- The Village's general receipts are primarily property and income taxes. These receipts represent, approximately 76% of the total cash received for governmental activities during 2020.
- In 2020, net position of business-type activities increased \$773,071 from the prior year. This increase is due to a decrease in water 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, fund financial statements, 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, 2020

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#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting, which 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 2020, 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, 2020

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

##### *Fund Financial Statements*

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

- **Governmental Funds** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the general, street construction maintenance and repair, and 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 21 and 22.

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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement, or equivalent arrangement that has certain characteristics, for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds.

Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for amounts collected and distributed on behalf of another government or organization. The Village maintains one custodial fund, the paid/received as agent fund. Fiduciary Fund statements are on pages 23 and 24 of this report.

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2020

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#### The Village as a Whole

Table 1 provides a summary of the Village's net position for 2020 and 2019 on a cash basis:

(Table 1)  
Governmental Net Position – Cash Basis

	<u>2020</u>	<u>2019</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>7,615,943</u>	\$ <u>6,837,725</u>
Total assets	<u>7,615,943</u>	<u>6,837,725</u>
Net position:		
Restricted for:		
Debt service	11,634	11,705
Capital project	1,526,558	1,470,893
Permanent fund purposes:		
Expendable	9,874	9,874
Nonexpendable	16,082	16,082
Other purposes	368,579	311,369
Unrestricted	<u>5,683,216</u>	<u>5,017,802</u>
Total net position	\$ <u><u>7,615,943</u></u>	\$ <u><u>6,837,725</u></u>

Business-Type Net Position – Cash Basis

	<u>2020</u>	<u>2019</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>2,094,029</u>	\$ <u>1,320,958</u>
Total assets	<u>2,094,029</u>	<u>1,320,958</u>
Net position:		
Unrestricted	<u>2,094,029</u>	<u>1,320,958</u>
Total net position	\$ <u><u>2,094,029</u></u>	\$ <u><u>1,320,958</u></u>

Net position of governmental activities increased \$778,218 from the prior year. This increase is due to a decrease in transportation projects taken place in the current year.

Net position of business-type activities increased \$773,071 from the prior year. This increase is due to a decrease in water system projects in the current year.

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2020

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Table 2 reflects the changes in net position on a cash basis in 2020 and 2019 for governmental activities.

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

	<u>2020</u>	<u>2019</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 733,270	\$ 874,465
Capital grants and special assessments	<u>7,124</u>	<u>29,165</u>
Total program receipts	<u>740,394</u>	<u>903,630</u>
General receipts:		
Property taxes	1,451,213	1,467,256
Municipal income taxes	5,130,090	5,212,598
Grants and entitlements not restricted to specific programs	1,018,013	907,665
Loan proceeds	102,160	697,048
Sale of assets	-	23,250
Earnings on investments	58,554	165,698
Miscellaneous	<u>193,629</u>	<u>107,137</u>
Total general receipts	<u>7,953,659</u>	<u>8,580,652</u>
Total receipts	<u>8,694,053</u>	<u>9,484,282</u>
Disbursements:		
General government	1,644,778	1,698,427
Security of persons and property	2,666,513	2,661,743
Public health services	842,019	539,541
Leisure time activities	89,282	104,878
Community development	270,158	293,729
Basic utilities	357,793	330,034
Transportation	1,878,034	3,445,322
Principal retirement	144,991	138,293
Interest and fiscal charges	<u>22,267</u>	<u>25,166</u>
Total disbursements	<u>7,915,835</u>	<u>9,237,133</u>
Change in net position before transfers	778,218	247,149
Transfers, net	<u>-</u>	<u>(381,193)</u>
Change in net position	778,218	(134,044)
Net position, January 1	<u>6,837,725</u>	<u>6,971,769</u>
Net position, December 31	<u>\$ 7,615,943</u>	<u>\$ 6,837,725</u>

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2020

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

	<u>2020</u>	<u>2019</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 3,549,301	\$ 3,743,687
Capital grants	<u>834,588</u>	<u>551,629</u>
Total program receipts	<u>4,383,889</u>	<u>4,295,316</u>
General receipts:		
Loan and bond proceeds	-	151,534
Sale of assets	-	5,200
Miscellaneous	<u>65,130</u>	<u>95,937</u>
Total general receipts	<u>65,130</u>	<u>252,671</u>
Total receipts	<u>4,449,019</u>	<u>4,547,987</u>
Disbursements:		
Water	1,612,014	3,210,750
Sewer	<u>2,063,934</u>	<u>1,755,925</u>
Total disbursements	<u>3,675,948</u>	<u>4,966,675</u>
Change in net position before transfers	773,071	(418,688)
Transfers, net	<u>-</u>	<u>381,193</u>
Change in net position	773,071	(37,495)
Net position, January 1	<u>1,320,958</u>	<u>1,358,453</u>
Net position, December 31	\$ <u>2,094,029</u>	\$ <u>1,320,958</u>

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

Program receipts of business-type activities represent approximately 99% of total business-type receipts. They are primarily comprised of charges for services to operate water and sanitary sewer.

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

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 a gain of \$707,941.

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2020

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#### *Governmental Activities*

Program receipts of governmental activities represent approximately 9% of total governmental receipts. They consisted of monies received from franchise fees, parking meter fees, employee health care contributions, ambulance service receipts, and construction permit fees.

General receipts of governmental activities represent approximately 91% in 2020. Of the Village's total governmental receipts, 76% is attributable to property taxes and income taxes.

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. Security of persons and property are the costs of police and fire protection; public health services are county health department fees, and transportation is the cost of maintaining the roads.

If you look at the Statement of Activities – Cash Basis on pages 13 and 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 roughly 34% and 24% of all governmental disbursements. General government also represents a significant cost, approximately 21%. 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, 2020

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

(Table 3)  
**Governmental Activities**

	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>
General government	\$ 1,644,778	\$ (1,162,172)	\$ 1,698,427	\$ (1,105,689)
Security of persons and property	2,666,513	(2,548,149)	2,661,743	(2,486,666)
Public health services	842,019	(709,719)	539,541	(432,891)
Leisure time activities	89,282	(89,282)	104,878	(104,878)
Community environment	270,158	(270,158)	293,729	(293,729)
Basic utilities	357,793	(357,793)	330,034	(330,034)
Transportation	1,878,034	(1,870,910)	3,445,322	(3,416,157)
Principal retirement	144,991	(144,991)	138,293	(138,293)
Interest and fiscal charges	<u>22,267</u>	<u>(22,267)</u>	<u>25,166</u>	<u>(25,166)</u>
Total disbursements	\$ <u>7,915,835</u>	\$ <u>(7,175,441)</u>	\$ <u>9,237,133</u>	\$ <u>(8,333,503)</u>

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

Total governmental funds had receipts and other financing sources of \$8,771,170 and disbursements and other financing uses of \$7,935,835. The greatest change within governmental funds occurred within the general fund. This fund's balance increased \$1,079,617 primarily due to a decrease in transfers out 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 2020, 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, \$568,588 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, in which the Village spent \$624,090 less than was budgeted. The result is an increase in fund balance of \$1,093,520 for 2020.

# **Village of Chagrin Falls**

## **Management's Discussion and Analysis (Unaudited)**

### **For the Year Ended December 31, 2020**

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#### **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, 2020, the Village's outstanding debt included \$1,659,000 in General Obligation Bonds and \$1,555,292 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.

#### **Other Information**

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

The notes provide additional and explanatory data. They are an integral part of 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.

# Village of Chagrin Falls

## Statement of Net Position – Cash Basis

December 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,615,943	\$ 2,094,029	\$ 9,709,972
Total assets	<u>\$ 7,615,943</u>	<u>\$ 2,094,029</u>	<u>\$ 9,709,972</u>
Net position:			
Restricted for:			
Debt service	\$ 11,634	\$ -	\$ 11,634
Capital projects	1,526,558	-	1,526,558
Permanent fund purposes:			
Expendable	9,874	-	9,874
Nonexpendable	16,082	-	16,082
Other purposes	368,579	-	368,579
Unrestricted	<u>5,683,216</u>	<u>2,094,029</u>	<u>7,777,245</u>
Total net position	<u>\$ 7,615,943</u>	<u>\$ 2,094,029</u>	<u>\$ 9,709,972</u>



# Village of Chagrin Falls

## Statement of Activities – Cash Basis

For the Year Ended December 31, 2020

	Cash Disbursements	Program Revenues	
		Charges for Services Activities	Capital Grants and Special Assessments
<b>Governmental activities:</b>			
General government	\$ 1,644,778	\$ 482,606	\$ -
Security of persons and property	2,666,513	118,364	-
Public health services	842,019	132,300	-
Leisure time activities	89,282	-	-
Community development	270,158	-	-
Basic utilities	357,793	-	-
Transportation	1,878,034	-	7,124
Principal retirement	144,991	-	-
Interest and fiscal charges	22,267	-	-
Total governmental activities	<u>7,915,835</u>	<u>733,270</u>	<u>7,124</u>
<b>Business-type activities:</b>			
Water	1,612,014	2,009,787	71,597
Sewer	2,063,934	1,539,514	762,991
Total business-type activities	<u>3,675,948</u>	<u>3,549,301</u>	<u>834,588</u>
Total	<u>\$ 11,591,783</u>	<u>\$ 4,282,571</u>	<u>\$ 841,712</u>

General receipts:  
 Property taxes levied for:  
     General purposes  
 Municipal income taxes  
 Grants and entitlements  
     not restricted to specific programs  
 Loan proceeds  
 Earnings on investments  
 Miscellaneous  
 Total general receipts

Change in net position

Net position, beginning of year

Net position, end of year

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Net (Disbursements) Receipts and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,162,172)	\$ -	\$ (1,162,172)
(2,548,149)	-	(2,548,149)
(709,719)	-	(709,719)
(89,282)	-	(89,282)
(270,158)	-	(270,158)
(357,793)	-	(357,793)
(1,870,910)	-	(1,870,910)
(144,991)	-	(144,991)
(22,267)	-	(22,267)
<u>(7,175,441)</u>	<u>-</u>	<u>(7,175,441)</u>
-	469,370	469,370
-	238,571	238,571
-	707,941	707,941
<u>(7,175,441)</u>	<u>707,941</u>	<u>(6,467,500)</u>
1,451,213	-	1,451,213
5,130,090	-	5,130,090
1,018,013	-	1,018,013
102,160	-	102,160
58,554	-	58,554
193,629	65,130	258,759
<u>7,953,659</u>	<u>65,130</u>	<u>8,018,789</u>
778,218	773,071	1,551,289
<u>6,837,725</u>	<u>1,320,958</u>	<u>8,158,683</u>
<u>\$ 7,615,943</u>	<u>\$ 2,094,029</u>	<u>\$ 9,709,972</u>

## Village of Chagrin Falls

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

December 31, 2020

	General	Street Construction Maintenance and Repair	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 5,493,053	\$ -	\$ 1,526,558	\$ 326,631	\$ 7,346,242
Due from other funds	525,118	-	-	-	525,118
Total assets	<u>\$ 6,018,171</u>	<u>\$ -</u>	<u>\$ 1,526,558</u>	<u>\$ 326,631</u>	<u>\$ 7,871,360</u>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 525,118	\$ -	\$ -	\$ 525,118
Total liabilities	<u>-</u>	<u>525,118</u>	<u>-</u>	<u>-</u>	<u>525,118</u>
<b>Fund balances</b>					
Nonspendable	-	-	-	16,082	16,082
Restricted	-	-	75,619	262,354	337,973
Committed	-	-	-	48,195	48,195
Assigned	692,365	-	1,450,939	-	2,143,304
Unassigned	5,325,806	(525,118)	-	-	4,800,688
Total fund balances	<u>6,018,171</u>	<u>(525,118)</u>	<u>1,526,558</u>	<u>326,631</u>	<u>7,346,242</u>
Total liabilities and fund balances	<u>\$ 6,018,171</u>	<u>\$ -</u>	<u>\$ 1,526,558</u>	<u>\$ 326,631</u>	<u>\$ 7,871,360</u>

## Village of Chagrin Falls

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

December 31, 2020

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Total governmental fund balances \$ 7,346,242

*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	\$ 337,127	
Internal balances	<u>(67,426)</u>	<u>269,701</u>
Net position of governmental activities		\$ <u><u>7,615,943</u></u>

## Village of Chagrin Falls

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

For the Year Ended December 31, 2020

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Property and other local taxes	\$ 1,392,536	\$ -	\$ -	\$ 58,677	\$ 1,451,213
Municipal income taxes	4,155,373	-	974,717	-	5,130,090
Special assessments	-	-	7,124	-	7,124
Charges for services	524,913	-	-	25,610	550,523
Fines, licenses and permits	177,319	-	-	62,545	239,864
Intergovernmental	265,051	405,351	69,108	278,503	1,018,013
Earnings on investments	58,554	-	-	-	58,554
Miscellaneous	148,934	40,545	-	4,150	193,629
Total receipts	<u>6,722,680</u>	<u>445,896</u>	<u>1,050,949</u>	<u>429,485</u>	<u>8,649,010</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General government	1,541,416	-	-	34,237	1,575,653
Security of persons and property	2,588,388	-	-	78,125	2,666,513
Public health services	576,009	-	-	266,010	842,019
Leisure time activities	89,282	-	-	-	89,282
Community development	270,158	-	-	-	270,158
Basic utilities	357,793	-	-	-	357,793
Transportation	130,892	811,816	-	-	942,708
Capital outlay	69,039	5,069	930,257	-	1,004,365
<b>Debt service:</b>					
Principal retirement	-	-	144,991	-	144,991
Interest and fiscal charges	-	-	22,196	71	22,267
Total disbursements	<u>5,622,977</u>	<u>816,885</u>	<u>1,097,444</u>	<u>378,443</u>	<u>7,915,749</u>
Excess of receipts over (under) disbursements	<u>1,099,703</u>	<u>(370,989)</u>	<u>(46,495)</u>	<u>51,042</u>	<u>733,261</u>
<b>Other financing (uses) sources:</b>					
Transfers in	-	-	-	20,000	20,000
Loan proceeds	-	-	102,160	-	102,160
Other financing uses	(86)	-	-	-	(86)
Transfers out	(20,000)	-	-	-	(20,000)
Total other financing (uses) sources	<u>(20,086)</u>	<u>-</u>	<u>102,160</u>	<u>20,000</u>	<u>102,074</u>
Net change in fund balances	1,079,617	(370,989)	55,665	71,042	835,335
Fund balances, beginning of year	4,938,554	(154,129)	1,470,893	255,589	6,510,907
Fund balances, end of year	<u>\$ 6,018,171</u>	<u>\$ (525,118)</u>	<u>\$ 1,526,558</u>	<u>\$ 326,631</u>	<u>\$ 7,346,242</u>

## Village of Chagrin Falls

### Reconciliation of 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, 2020

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Net change in fund balances - total governmental funds \$ 835,335

*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	\$ (71,397)	
Internal balances	<u>14,280</u>	<u>(57,117)</u>
Change in net position of governmental activities		\$ <u><u>778,218</u></u>

## 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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts:</b>				
Property and other local taxes	\$ 1,523,416	\$ 1,526,819	\$ 1,392,536	\$ (134,283)
Municipal income taxes	3,463,913	3,463,912	4,155,373	691,461
Intergovernmental	262,461	262,461	265,051	2,590
Charges for services	493,661	493,661	524,913	31,252
Fines, licenses and permits	201,708	201,708	177,319	(24,389)
Earnings on investments	59,962	59,962	60,554	592
Miscellaneous	138,319	138,319	139,684	1,365
Total receipts	<u>6,143,440</u>	<u>6,146,842</u>	<u>6,715,430</u>	<u>568,588</u>
<b>Disbursements:</b>				
Current:				
General government	1,528,374	1,566,000	1,540,686	25,314
Security of persons and property	2,694,544	2,680,000	2,567,965	112,035
Public health services	594,591	645,000	576,009	68,991
Leisure time activities	106,996	110,000	89,282	20,718
Community development	313,341	340,000	270,158	69,842
Basic utilities	360,648	380,000	357,793	22,207
Transportation	181,673	155,000	130,892	24,108
Capital outlay	284,100	350,000	69,039	280,961
Total disbursements	<u>6,064,267</u>	<u>6,226,000</u>	<u>5,601,824</u>	<u>624,176</u>
Excess of receipts over (under) disbursements	79,173	(79,158)	1,113,606	1,192,764
<b>Other financing uses:</b>				
Transfers out	-	(20,000)	(20,000)	-
Other financing uses	-	-	(86)	(86)
Total other financing uses	<u>-</u>	<u>(20,000)</u>	<u>(20,086)</u>	<u>(86)</u>
Net change in fund balance	79,173	(99,158)	1,093,520	1,192,678
Fund balance, beginning of year	<u>4,845,113</u>	<u>4,845,113</u>	<u>4,845,113</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,924,286</u>	<u>\$ 4,745,955</u>	<u>\$ 5,938,633</u>	<u>\$ 1,192,678</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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts:				
Municipal income taxes	\$ 550,814	\$ 607,635	\$ -	\$ (607,635)
Intergovernmental	362,888	400,323	405,351	5,028
Miscellaneous	36,298	40,042	40,545	503
Total receipts	<u>950,000</u>	<u>1,048,000</u>	<u>445,896</u>	<u>(602,104)</u>
Disbursements:				
Current:				
Transportation	1,110,410	1,018,640	811,816	206,824
Capital outlay	6,933	6,360	5,069	1,291
Total disbursements	<u>1,117,343</u>	<u>1,025,000</u>	<u>816,885</u>	<u>208,115</u>
Net change in fund balance	(167,343)	23,000	(370,989)	(393,989)
Fund balance, beginning of year	<u>(154,129)</u>	<u>(154,129)</u>	<u>(154,129)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (321,472)</u></u>	<u><u>\$ (131,129)</u></u>	<u><u>\$ (525,118)</u></u>	<u><u>\$ (393,989)</u></u>



# Village of Chagrin Falls

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

December 31, 2020

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,242,385	\$ 784,218	\$ 2,026,603	\$ 337,127
Total assets	<u>1,242,385</u>	<u>784,218</u>	<u>2,026,603</u>	<u>337,127</u>
Net position:				
Unrestricted	<u>1,242,385</u>	<u>784,218</u>	<u>2,026,603</u>	<u>337,127</u>
	<u>\$ 1,242,385</u>	<u>\$ 784,218</u>	<u>2,026,603</u>	<u>\$ 337,127</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>67,426</u>	
Net position of business-type activities			<u>\$ 2,094,029</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, 2020

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating receipts:				
Charges for services	\$ 2,009,787	\$ 1,539,514	\$ 3,549,301	\$ 245,225
Intergovernmental	71,597	762,991	834,588	-
Miscellaneous	20,005	45,125	65,130	-
Total operating receipts	<u>2,101,389</u>	<u>2,347,630</u>	<u>4,449,019</u>	<u>245,225</u>
Operating disbursements:				
Personal services	432,967	803,722	1,236,689	62,161
Contractual services	757,012	824,999	1,582,011	19,307
Materials and supplies	61,276	141,862	203,138	115,248
Other	250,019	283,908	533,927	119,906
Total operating disbursements	<u>1,501,274</u>	<u>2,054,491</u>	<u>3,555,765</u>	<u>316,622</u>
Operating income (loss)	<u>600,115</u>	<u>293,139</u>	<u>893,254</u>	<u>(71,397)</u>
Non-operating disbursements:				
Interest and fiscal charges	(28,880)	-	(28,880)	-
Principal retirement	(74,721)	(2,302)	(77,023)	-
Total non-operating disbursements	<u>(103,601)</u>	<u>(2,302)</u>	<u>(105,903)</u>	<u>-</u>
Change in net position	496,514	290,837	787,351	(71,397)
Net position, beginning of year	<u>745,871</u>	<u>493,381</u>		<u>408,524</u>
Net position, end of year	<u>\$ 1,242,385</u>	<u>\$ 784,218</u>		<u>\$ 337,127</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>(14,280)</u>
Change in net position of business-type activities	<u>\$ 773,071</u>

# Village of Chagrin Falls

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

December 31, 2020

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	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>7,051</u>
Net position:	
Restricted	\$ <u>7,051</u>

## Village of Chagrin Falls

### Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund

For the Year Ended December 31, 2020

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	<u>Custodial</u>
Additions:	
Intergovernmental	\$ 18,483
Deductions:	
Other distributions	<u>16,125</u>
Change in net position	2,358
Net position, beginning of year	<u>4,693</u>
Net position, end of year	<u><u>\$ 7,051</u></u>

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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

The Village of Chagrin Falls, Cuyahoga County, Ohio (the “Village”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member council elected for two-year terms. The Mayor is elected to a four-year term.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

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 of Governments, 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 the “Basis of Accounting” section of this note, 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, 2020**

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### **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, 2020**

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### **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 accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

General Permanent Improvement Fund – This capital projects 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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement, or equivalent arrangement that has certain characteristics, for individuals, private organizations, or other governments and are not available to support the Village's own programs.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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

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

##### Fiduciary Funds (continued)

The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for amounts collected and distributed on behalf of another government or organization. The Village maintains one custodial fund, the paid/received as agent fund. 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 custodial 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, 2020**

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### **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 2020, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2020 were \$58,554.

# Village of Chagrin Falls

Notes to the Financial Statements

**For the Year Ended December 31, 2020**

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

### ***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.

### ***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. Interfund Receivables/Payables***

The Village reports income tax receipts misallocated between the General and Street Construction Maintenance and Repair (SCMR) Funds that exceeded the SCMR fund balance as interfund loans. These items are not advances and were a result of noncompliance pursuant to Village Ordinance No. 2016-29.

### ***J. 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.

### ***K. 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 other post-employment benefits (OPEB).

### ***L. Long-Term Obligations***

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations.

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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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

#### ***M. 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.

#### ***N. 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 citizens' 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, as both are equally binding) 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, as both are equally binding) 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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

#### ***N. Fund Balance (continued)***

**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. State statute authorizes the Village to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

#### ***O. 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.

#### ***P. Estimates***

The cash basis of accounting used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2020

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### **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 in certain funds are included in the general fund as part of the GASB 54 requirements are not included in the budgetary statement. There was no difference between the budgetary basis and the cash basis in the street construction maintenance and repair fund.

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2020 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Cash basis	\$ 1,079,617	\$ (370,989)
Adjustment due To:		
Activity of funds reclassified for cash reporting purposes	<u>13,903</u>	<u>-</u>
Budgetary basis	<u>\$ 1,093,520</u>	<u>\$ (370,989)</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.

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Year Ended December 31, 2020**

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations 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 Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2020

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

At December 31, 2020, 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, 2020, the Village had a book balance of \$8,779,804. Of the Village's bank balance of \$8,970,721, \$1,672,320 was uninsured and uncollateralized. All of the Village's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and two were approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

The Village follows the requirements of State statute for custodial credit risk. 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

The fair value of these investments is not materially different from measurement value. As of December 31, 2020, the Village had the following investments:

	Measurement Value	Less Than 1 Year	1-5 Years
STAR Ohio	\$ 937,069	\$ 937,069	\$ -

*Interest Rate Risk* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Year Ended December 31, 2020

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

##### Investments (continued)

*Credit Risk* STAR Ohio carries a rating of AAAm by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

#### Note 5: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. In 2020, 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	-	-	69,108	-	69,108
Police operations	-	-	-	26,034	26,034
Police and fire pension	-	-	-	19,670	19,670
Parks maintenance	-	-	-	14,702	14,702
Safe routes to school program	-	-	-	27,161	27,161
Issue II projects	-	-	6,511	-	6,511
COVID relief	-	-	-	3,916	3,916
Miscellaneous deposits	-	-	-	149,363	149,363
Cemetery	-	-	-	9,874	9,874
Debt service	-	-	-	11,634	11,634
Total restricted	<u>-</u>	<u>-</u>	<u>75,619</u>	<u>262,354</u>	<u>337,973</u>
Committed for:					
Cemetery perpetual care	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,195</u>	<u>48,195</u>
Assigned to:					
Construction of various projects	-	-	1,450,939	-	1,450,939
Earned interest	272	-	-	-	272
Giles Foundation	7,880	-	-	-	7,880
2021 Appropriations	684,213	-	-	-	684,213
Total assigned	<u>692,365</u>	<u>-</u>	<u>1,450,939</u>	<u>-</u>	<u>2,143,304</u>
Unassigned	<u>5,325,806</u>	<u>(525,118)</u>	<u>-</u>	<u>-</u>	<u>4,800,688</u>
Total fund balances, December 31, 2020	<u>\$ 6,018,171</u>	<u>\$ (525,118)</u>	<u>\$ 1,526,558</u>	<u>\$ 326,631</u>	<u>\$ 7,346,242</u>



# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 6: 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 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 7: Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received during 2020 for real and public utility property taxes represents collections of the 2019 taxes.

2020 real property taxes are levied after October 1, 2020 on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2020 public utility property taxes which became a lien on December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2020, was \$8.30 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2020 property tax receipts were based are as follows:

	<u>2020</u>
Real property:	
Residential/agricultural	\$ 193,098,070
Commercial/industrial/mineral	26,236,010
Tangible personal property:	
Public utility	<u>2,663,210</u>
Total assessed value	<u>\$ 221,997,290</u>

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Year Ended December 31, 2020**

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#### **Note 8: 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. 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 ACFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 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	<b>Traditional Plan Formula:</b> 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	<b>Traditional Plan Formula:</b> 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
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 8: Defined Benefit Pension Plans (continued)**

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

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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that 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 annuitization of their benefit (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.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 8: Defined Benefit Pension Plans (continued)**

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

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

	<u>State and Local</u>
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2020 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits*	<u>0.0 %</u>
Total Employer	<u>14.0 %</u>
 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 \$309,647 for 2020.

#### **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 administered by OP&F. 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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 8: Defined Benefit Pension Plans (continued)**

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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 ACFR 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 OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, 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, will receive a COLA equal to either 3% or the percentage increase, if any, in the consumer price index over the 12 month period ending on September 30<sup>th</sup> of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

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

	<u>Police</u>
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee	12.25 %
<b>2020 Actual Contribution Rates</b>	
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 \$229,140 for 2020.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 8: Defined Benefit Pension Plans (continued)**

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

In addition to current contributions, the Village pays installments on a specific liability of the Village incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2020, the specific liability of the Village was \$27,436 payable in semi-annual payments through the year 2035.

#### ***C. Social Security***

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant. Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

### **Note 9: 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 separation, 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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' ACFR 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 9: Post-Employment Benefits (continued)**

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

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. When funding is approved by OPERS Board of Trustees, 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 2020, state and local employers contributed at a rate of 14.0% of earnable salary. This is 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 2020, 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 2020 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution related to health care was \$368 for 2020.

#### **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 a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 9: Post-Employment Benefits (continued)**

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://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% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, 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.

The OP&F Board of Trustees is also 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 contractually required contribution for health care to OP&F was \$1,146 for 2020.

### **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>
<b>General Obligation Bonds:</b>			
Various Purpose Improvement Bonds, Series 2017	2017	2.51%	\$ 1,200,000
Water Meter Improvement Bonds, Series 2018	2018	3.04%	950,000



# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2020

### Note 10: Debt (continued)

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Issuance</u>
<b>Ohio Public Works Commission Loans:</b>			
River and West Streets Water Supply	2018	0.00%	185,000
Wellfield-Greenbrier Water Transmission			
Main	2018	0.00%	765,742
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

The Village's long-term debt activity for the year ended December 31, 2020, was as follows:

	<u>Debt Outstanding 12/31/2019</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Various Purpose Improvement Bonds, Series 2017	\$ 893,000	\$ -	\$ 118,000	\$ 775,000	\$ 121,000
<i>Ohio Public Works Commission Loans*:</i>					
River and West Street Water Supply	185,000	-	3,083	181,917	3,083
Wellfield-Greenbrier Water Transmission					
Main	512,048	102,160	12,762	601,446	12,762
West Washington Watermain Replacement	21,299	-	2,662	18,637	5,324
Falls Road Water System Improvement	58,050	-	6,450	51,600	6,450
Mill Street Stabilization	107,787	-	2,034	105,753	2,034
Total Ohio Public Works Commission	<u>884,184</u>	<u>102,160</u>	<u>26,991</u>	<u>959,353</u>	<u>29,653</u>
Total Governmental Activities	<u>1,265,136</u>	<u>102,160</u>	<u>144,991</u>	<u>1,734,353</u>	<u>150,653</u>
<b>Business-Type Activities:</b>					
<i>General Obligation Bonds:</i>					
Water Meter Improvement Bonds, Series 2018	950,000	-	66,000	884,000	68,000
<i>Ohio Public Works Commission Loans*:</i>					
Solon Road Watermain Repair	418,594	-	8,721	409,873	8,721
WWTP Renovation	36,834	-	2,302	34,532	2,302
Wellfield-Greenbrier Water Transmission					
Main	151,534	-	-	151,534	-
Total Ohio Public Works Commission	<u>606,962</u>	<u>-</u>	<u>11,023</u>	<u>595,939</u>	<u>11,023</u>
Total Business-Type Activities	<u>1,556,962</u>	<u>-</u>	<u>77,023</u>	<u>1,479,939</u>	<u>79,023</u>
Total Village	<u>\$ 3,334,146</u>	<u>\$ 102,160</u>	<u>\$ 222,014</u>	<u>\$ 3,214,292</u>	<u>\$ 229,676</u>

\* Long-term obligation is a direct placement.

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Year Ended December 31, 2020**

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#### **Note 10: Debt (continued)**

The Village has pledged future receipts to repay the Ohio Public Works Commission (OPWC) loans in the Village governmental and business-type funds. The OPWC loans relate to road, sewer and watermain rehabilitation projects. These loans are interest free.

During 2020, as a response to COVID-19, OPWC made the decision to defer the July 2020 loan payment for six months. The amortization schedules were adjusted to push back all payments six months. Borrowers have the option to make a double-payment in January 2021 or use the modified amortization schedule. The Village has chosen to use the modified amortization schedule.

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 2018 River and West Streets Water Supply OPWC loan was for \$185,000 and will be repaid in semiannual installments of \$3,083 over 30 years. The 2018 Wellfield-Greenbrier Transmission Main OPWC loan was for \$765,741 and will be repaid in semiannual installments of \$12,762 over 30 years.

The Village's outstanding OPWC loans from direct borrowings contain provisions that in the event of default (1) OPWC may apply late fees of 8% per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the Village's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

All general obligation bonds are supported by the full faith and credit of the Village and are payable from tax receipts and available revenues from the water system to the extent that other resources are not available to meet annual principal and interest payments.

The 2017 General Obligation Bond was 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 was used for a water meter improvement project. The balance will be repaid in annual installments ranging from \$66,000 to \$94,000, over 13 years with corresponding interest payments being paid semi-annually.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2020

### Note 10: Debt (continued)

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>
2021	\$ 189,000	\$ 46,327	\$ 40,676	\$ 229,676	\$ 46,327
2022	194,000	41,221	76,029	270,029	41,221
2023	201,000	35,981	76,029	277,029	35,981
2024	206,000	30,549	73,368	279,368	30,549
2025	211,000	24,981	64,255	275,255	24,981
2026-2030	564,000	57,490	279,811	843,811	57,490
2031-2035	94,000	2,858	266,001	360,001	2,858
2036-2040	-	-	266,001	266,001	-
2041-2045	-	-	248,561	248,561	-
2046-2050	-	-	164,561	164,561	-
Total	\$ <u>1,659,000</u>	\$ <u>239,407</u>	\$ <u>1,555,292</u>	\$ <u>3,214,292</u>	\$ <u>239,407</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, 2020, were an overall debt margin of \$21,662,349 and an unvoted debt margin of \$12,198,217.

### Note 11: Interfund Transfers

The Village made the following transfers during the year ended December 31, 2020:

	<u>Transfer from</u>
	General
Transfer to:	<u>Fund</u>
Police Pension	\$ <u>20,000</u>

The transfer among Village funds were made to provide additional resources for the police pension fund in accordance with budgetary authorizations.

### Note 12: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of these proceedings, Village's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Village's financial position.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 12: Contingent Liabilities (continued)**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

### **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 its initial commencement date. After the initial three years, each member may extend its term in additional 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.

Settled claims have not exceeded coverage in any of the past three years and there have been no significant reduction in coverage from the prior year.

For the year ended December 31, 2020, the Village paid \$76,159 in premiums to NORMA from the general fund, street construction, maintenance and repair fund and the water 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**

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

## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Year Ended December 31, 2020**

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#### **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 \$761,420 to CT Consultants during 2020.

#### **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 240 communities in 19 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 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 2020. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #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 2020. 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 15: Jointly Governed Organizations (continued)**

#### ***C. Valley Enforcement Regional Council of Governments (continued)***

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 \$10,000 in 2020. 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 26 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 2020, the Village contributed \$182,431 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, 2020, was \$64,331. Future minimum payments for the remaining lease terms in excess of one year for the year ending December 31, 2020 are as follows:

2021	\$	64,331
2022		64,331
2023		64,331
2024		<u>48,248</u>
Total	\$	<u>241,241</u>

## Village of Chagrin Falls

### Notes to the Financial Statements

#### **For the Year Ended December 31, 2020**

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##### **Note 16: Leases (continued)**

On June 6, 2017, the Village entered into a lease agreement with the Federated Church of Chagrin Falls, “Lessor”, for the use of the Lessor owned parking lot. The Agreement is effective for a period of one year, commencing on the date of the agreement and ending on June 6, 2018. The agreement shall automatically continue from year to year unless either party gives written notice. The Village is to pay monthly rental payments of \$200. This lease expired in June 2020.

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.

On February 1, 2019, the Village entered into a lease agreement with the Chagrin Valley Little Theater “Lessor”, for the use of the Lessor owned parking lot. The Agreement is effective for a period of one year commencing on the date of the agreement and ending on January 31, 2020. The agreement shall automatically continue from year to year unless either party gives written notice. The Village is to pay monthly rental payments of \$225.

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 was 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 17: Contractual Commitments**

In 2019, the Village implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs).

The Village is legally obligated to treat wastewater to State and Federal standards that is generated from its facility planning area. In order to retire the current wastewater treatment plant the Village would have to remove residual wastewater, sludge and other solids to another wastewater plant, remove treatment and laboratory chemicals and decontaminate equipment.

It has been estimated that the cost to retire the existing wastewater plant would be \$250,000. The estimated remaining useful life of the Village’s wastewater treatment plant is 14 years. The Village currently does not have any assets restricted for payment of the potential liability.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2020**

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### **Note 18: Change in Accounting Principle**

GASB Statements and guidance to be implemented in future reporting periods include GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 87, *Leases*, and GASB Statement No. 92, *Omnibus 2020*. The Village is currently evaluating the impact that these Statements will have on its financial statements and disclosures.

### **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.

During 2020, the Village received CARES Act Funding in the amount of \$269,926. These amounts are recorded in the Coronavirus Relief Special Revenue Fund. Of the amounts received, \$83,856 was sub-granted to other governments and organizations. This amount is reflected as public health expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.



# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2019

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This discussion and analysis of the Village of Chagrin Falls' (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2019, 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:

- For 2019, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this statement resulted in the restatement of net position and fund balances for the governmental activities and related funds. The custodial fund was also restated. See Note 18 for additional information regarding the restatement.
- In 2019, net position of governmental activities decreased \$134,044 from the prior year. The net position variance related primarily to an increase in transportation expense. Transportation expense increased due to an increase in transportation projects taken place in the current year.
- The Village's general receipts are primarily property and income taxes. These receipts represent, approximately 70% of the total cash received for governmental activities during 2019.
- In 2019, net position of business-type activities decreased \$37,495 from the prior year. This decrease is due to an increase in water 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, fund financial statements, 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, 2019

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#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting, which 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 2019, 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, 2019

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

##### *Fund Financial Statements*

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

- **Governmental Funds** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the general, street construction maintenance and repair, and 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 71 and 72.

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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement, or equivalent arrangement that has certain characteristics, for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds.

Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial funds account for amounts collected and distributed on behalf of another government or organization. The Village maintains one custodial fund, the paid/received as agent fund. Fiduciary Fund statements are on pages 73 and 74 of this report.

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2019

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#### The Village as a Whole

Table 1 provides a summary of the Village's net position for 2019 and 2018 on a cash basis:

Table 1  
Governmental Net Position – Cash Basis

	<u>2019</u>	<u>Restated 2018</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>6,837,725</u>	\$ <u>6,971,769</u>
Total assets	<u>6,991,854</u>	<u>6,971,769</u>
Net position:		
Restricted for:		
Debt service	11,705	11,750
Capital project	1,470,893	1,898,691
Permanent fund purposes:		
Expendable	9,874	9,874
Nonexpendable	16,082	16,082
Other purposes	311,369	783,545
Unrestricted	<u>5,017,802</u>	<u>4,251,827</u>
Total net position	\$ <u><u>6,837,725</u></u>	\$ <u><u>6,971,769</u></u>

Business-Type Net Position – Cash Basis

	<u>2019</u>	<u>2018</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>1,320,958</u>	\$ <u>1,358,453</u>
Total assets	<u>1,320,958</u>	<u>1,358,453</u>
Net position:		
Unrestricted	<u>1,320,958</u>	<u>1,358,453</u>
Total net position	\$ <u><u>1,320,958</u></u>	\$ <u><u>1,358,453</u></u>

Net position of governmental activities decreased \$134,044 from the prior year. This decrease is due to an increase in transportation projects taken place in the current year.

Net position of business-type activities decreased \$37,495 from the prior year. This decrease is due to an increase in water system projects in the current year.

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2019

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Table 2 reflects the changes in net position on a cash basis in 2019 and 2018 for governmental activities.

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

	<u>2019</u>	<u>Restated 2018</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 874,465	\$ 962,812
Capital grants and special assessments	<u>29,165</u>	<u>10,420</u>
Total program receipts	<u>903,630</u>	<u>973,232</u>
General receipts:		
Property taxes	1,467,256	1,511,778
Municipal income taxes	5,212,598	5,169,809
Grants and entitlements not restricted to specific programs	907,665	749,376
Loan proceeds	697,048	-
Sale of assets	23,250	3,544
Earnings on investments	165,698	53,601
Miscellaneous	<u>107,137</u>	<u>161,968</u>
Total general receipts	<u>8,580,652</u>	<u>7,650,076</u>
Total receipts	<u>9,484,282</u>	<u>8,623,308</u>
Disbursements:		
General government	1,698,427	1,732,701
Security of persons and property	2,661,743	2,428,718
Public health services	539,541	517,645
Leisure time activities	104,878	100,372
Community development	293,729	227,063
Basic utilities	330,034	306,255
Transportation	3,445,322	2,415,492
Principal retirement	138,293	308,403
Interest and fiscal charges	<u>25,166</u>	<u>32,258</u>
Total disbursements	<u>9,237,133</u>	<u>8,068,907</u>
Change in net position before transfers	247,149	554,401
Transfers, net	<u>(381,193)</u>	<u>(121,000)</u>
Change in net position	(134,044)	433,401
Net position, January 1	<u>6,971,769</u>	<u>6,538,368</u>
Net position, December 31	\$ <u>6,837,725</u>	\$ <u>6,971,769</u>

# Village of Chagrin Falls

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2019

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

	<u>2019</u>	<u>2018</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 3,743,687	\$ 3,329,578
Capital grants	<u>551,629</u>	<u>79,920</u>
Total program receipts	<u>4,295,316</u>	<u>3,409,498</u>
General receipts:		
Loan and bond proceeds	151,534	950,000
Sale of assets	5,200	-
Miscellaneous	<u>95,937</u>	<u>8,215</u>
Total general receipts	<u>252,671</u>	<u>958,215</u>
Total receipts	<u>4,547,987</u>	<u>4,367,713</u>
Disbursements:		
Water	3,210,750	1,915,521
Sewer	<u>1,755,925</u>	<u>2,095,905</u>
Total disbursements	<u>4,966,675</u>	<u>4,011,426</u>
Change in net position before transfers	(418,688)	356,287
Transfers, net	<u>381,193</u>	<u>121,000</u>
Change in net position	(37,495)	477,287
Net position, January 1	<u>1,358,453</u>	<u>881,166</u>
Net position, December 31	\$ <u>1,320,958</u>	\$ <u>1,358,453</u>

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

Program receipts of business-type activities represent approximately 95% of total business-type receipts. They are primarily comprised of charges for services 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, 2019

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#### *Governmental Activities*

Program receipts of governmental activities represent approximately 10% of total governmental receipts. They consisted of monies received from franchise fees, parking meter fees, employee health care contributions, ambulance service receipts, and construction permit fees.

General receipts of governmental activities represent approximately 90% in 2019. Of the Village's total governmental receipts, 70% is attributable to property taxes and income taxes.

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 63, 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 roughly 29% and 37% of all governmental disbursements. General government also represents a significant cost, approximately 18%. 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, 2019

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

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2019	Net Cost of Services 2019	Restated Total Cost of Services 2018	Restated Net Cost of Services 2018
General government	\$ 1,698,427	\$ (1,105,689)	\$ 1,732,701	\$ (1,076,195)
Security of persons and property	2,661,743	(2,486,666)	2,428,718	(2,193,437)
Public health services	539,541	(432,891)	517,645	(446,620)
Leisure time activities	104,878	(104,878)	100,372	(100,372)
Community environment	293,729	(293,729)	227,063	(227,063)
Basic utilities	330,034	(330,034)	306,255	(306,255)
Transportation	3,445,322	(3,416,157)	2,415,492	(2,405,072)
Principal retirement	138,293	(138,293)	308,403	(308,403)
Interest and fiscal charges	25,166	(25,166)	32,258	(32,258)
Total disbursements	\$ <u>9,237,133</u>	\$ <u>(8,333,503)</u>	\$ <u>8,068,907</u>	\$ <u>(7,095,675)</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 \$671,359.

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

Total governmental funds had receipts and other financing sources of \$9,510,229 and disbursements and other financing uses of \$9,618,326. The greatest change within governmental funds occurred within the general fund. This fund's balance decreased \$982,284 primarily due to an increase in capital outlay costs associated with projects 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 2019, 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, \$797,658 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 \$474,389 less than was budgeted. The result is an increase in fund balance of \$946,051 for 2019.



# **Village of Chagrin Falls**

## **Management's Discussion and Analysis (Unaudited)**

### **For the Year Ended December 31, 2019**

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#### **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, 2019, the Village's outstanding debt included \$1,843,000 in General Obligation Bonds and \$1,491,146 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.

#### **Other Information**

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

The notes provide additional and explanatory data. They are an integral part of 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.

# Village of Chagrin Falls

## Statement of Net Position – Cash Basis

**December 31, 2019**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>6,837,725</u>	\$ <u>1,320,958</u>	\$ <u>8,158,683</u>
Total assets	<u>6,837,725</u>	<u>1,320,958</u>	<u>8,158,683</u>
Net position:			
Restricted for:			
Debt service	11,705	-	11,705
Capital projects	1,470,893	-	1,470,893
Permanent fund purposes:			
Expendable	9,874	-	9,874
Nonexpendable	16,082	-	16,082
Other purposes	311,369	-	311,369
Unrestricted	<u>5,017,802</u>	<u>1,320,958</u>	<u>6,338,760</u>
Total net position	\$ <u><u>6,837,725</u></u>	\$ <u><u>1,320,958</u></u>	\$ <u><u>8,158,683</u></u>

# Village of Chagrin Falls

## Statement of Activities – Cash Basis

**For the Year Ended December 31, 2019**

		<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	\$ 1,698,427	\$ 592,738	\$ -
Security of persons and property	2,661,743	175,077	-
Public health services	539,541	106,650	-
Leisure time activities	104,878	-	-
Community development	293,729	-	-
Basic utilities	330,034	-	-
Transportation	3,445,322	-	29,165
Principal retirement	138,293	-	-
Interest and fiscal charges	25,166	-	-
Total governmental activities	<u>9,237,133</u>	<u>874,465</u>	<u>29,165</u>
Business-type activities:			
Water	3,210,750	2,111,084	281,201
Sewer	<u>1,755,925</u>	<u>1,632,603</u>	<u>270,428</u>
Total business-type activities	<u>4,966,675</u>	<u>3,743,687</u>	<u>551,629</u>
Total	<u>\$ 14,203,808</u>	<u>\$ 4,618,152</u>	<u>\$ 580,794</u>

General receipts:

Property taxes levied for:

    General purposes

    Municipal income taxes

    Grants and entitlements

        not restricted to specific programs

    Loan proceeds

    Sale of assets

    Earnings on investments

    Miscellaneous

        Total general receipts

Change in net position before transfers

Transfers

Change in net position after transfers

Net position, beginning of year - restated

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>
\$ (1,105,689)	\$ -	\$ (1,105,689)
(2,486,666)	-	(2,486,666)
(432,891)	-	(432,891)
(104,878)	-	(104,878)
(293,729)	-	(293,729)
(330,034)	-	(330,034)
(3,416,157)	-	(3,416,157)
(138,293)	-	(138,293)
(25,166)	-	(25,166)
<u>(8,333,503)</u>	<u>-</u>	<u>(8,333,503)</u>
-	(818,465)	(818,465)
<u>-</u>	<u>147,106</u>	<u>147,106</u>
<u>-</u>	<u>(671,359)</u>	<u>(671,359)</u>
<u>(8,333,503)</u>	<u>(671,359)</u>	<u>(9,004,862)</u>
1,467,256	-	1,467,256
5,212,598	-	5,212,598
907,665	-	907,665
697,048	151,534	848,582
23,250	5,200	28,450
165,698	-	165,698
107,137	95,937	203,074
<u>8,580,652</u>	<u>252,671</u>	<u>8,833,323</u>
247,149	(418,688)	(171,539)
<u>(381,193)</u>	<u>381,193</u>	<u>-</u>
(134,044)	(37,495)	(171,539)
<u>6,971,769</u>	<u>1,358,453</u>	<u>8,330,222</u>
\$ <u>6,837,725</u>	\$ <u>1,320,958</u>	\$ <u>8,158,683</u>

# Village of Chagrin Falls

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

**December 31, 2019**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 4,784,425	\$ -	\$ 1,470,893	\$ 255,589	\$ 6,510,907
Due from other funds	<u>154,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,129</u>
Total assets	<u>\$ 4,938,554</u>	<u>\$ -</u>	<u>\$ 1,470,893</u>	<u>\$ 255,589</u>	<u>\$ 6,665,036</u>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 154,129	\$ -	\$ -	\$ 154,129
Total liabilities	<u>-</u>	<u>154,129</u>	<u>-</u>	<u>-</u>	<u>154,129</u>
<b>Fund balances</b>					
Nonspendable	-	-	-	16,082	16,082
Restricted	-	-	89,335	216,922	306,257
Committed	-	-	-	22,585	22,585
Assigned	29,025	-	1,381,558	-	1,410,583
Unassigned	<u>4,909,529</u>	<u>(154,129)</u>	<u>-</u>	<u>-</u>	<u>4,755,400</u>
Total fund balances	<u>4,938,554</u>	<u>(154,129)</u>	<u>1,470,893</u>	<u>255,589</u>	<u>6,510,907</u>
Total liabilities and fund balances	<u>\$ 4,938,554</u>	<u>\$ -</u>	<u>\$ 1,470,893</u>	<u>\$ 255,589</u>	<u>\$ 6,665,036</u>

## Village of Chagrin Falls

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

**December 31, 2019**

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Total governmental fund balances \$ 6,510,907

*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	\$ 408,524	
Internal balances	<u>(81,706)</u>	<u>326,818</u>

Net position of governmental activities \$ 6,837,725

# Village of Chagrin Falls

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

### For the Year Ended December 31, 2019

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Property and other local taxes	\$ 1,407,971	\$ -	\$ -	\$ 59,285	\$ 1,467,256
Municipal income taxes	4,208,920	-	1,003,678	-	5,212,598
Special assessments	-	-	29,165	-	29,165
Charges for services	598,398	-	-	20,050	618,448
Fines, licenses and permits	231,807	-	-	70,957	302,764
Intergovernmental	270,309	306,852	321,486	9,018	907,665
Earnings on investments	165,698	-	-	-	165,698
Miscellaneous	67,045	23,892	-	16,200	107,137
Total receipts	<u>6,950,148</u>	<u>330,744</u>	<u>1,354,329</u>	<u>175,510</u>	<u>8,810,731</u>
<b>Disbursements:</b>					
<b>Current:</b>					
General government	1,515,994	-	-	100,118	1,616,112
Security of persons and property	2,572,701	-	-	89,042	2,661,743
Public health services	539,541	-	-	-	539,541
Leisure time activities	104,878	-	-	-	104,878
Community development	293,729	-	-	-	293,729
Basic utilities	330,034	-	-	-	330,034
Transportation	148,529	945,040	-	-	1,093,569
Capital outlay	82,275	35,992	2,315,761	-	2,434,028
<b>Debt service:</b>					
Principal retirement	-	-	138,293	-	138,293
Interest and fiscal charges	-	-	25,121	45	25,166
Total disbursements	<u>5,587,681</u>	<u>981,032</u>	<u>2,479,175</u>	<u>189,205</u>	<u>9,237,093</u>
Excess of receipts over (under) disbursements	<u>1,362,467</u>	<u>(650,288)</u>	<u>(1,124,846)</u>	<u>(13,695)</u>	<u>(426,362)</u>
<b>Other financing (uses) sources:</b>					
Loan proceeds	-	-	697,048	-	697,048
Sale of assets	1,050	-	-	1,400	2,450
Other financing uses	(40)	-	-	-	(40)
Transfers out	(381,193)	-	-	-	(381,193)
Total other financing (uses) sources	<u>(380,183)</u>	<u>-</u>	<u>697,048</u>	<u>1,400</u>	<u>318,265</u>
Net change in fund balances	982,284	(650,288)	(427,798)	(12,295)	(108,097)
Fund balances, beginning of year - restated	<u>3,956,270</u>	<u>496,159</u>	<u>1,898,691</u>	<u>267,884</u>	<u>6,619,004</u>
Fund balances, end of year	\$ <u>4,938,554</u>	\$ <u>(154,129)</u>	\$ <u>1,470,893</u>	\$ <u>255,589</u>	\$ <u>6,510,907</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, 2019**

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Net change in fund balances - total governmental funds \$ (108,097)

*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	\$ (32,433)	
Internal balances	<u>6,486</u>	<u>(25,947)</u>

Change in net position of governmental activities \$ (134,044)



## 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, 2019

	<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	\$ 1,519,559	\$ 1,584,000	\$ 1,407,971	\$ (176,029)
Municipal income taxes	3,217,355	3,326,363	4,208,920	882,557
Intergovernmental	242,852	251,079	270,309	19,230
Charges for services	537,612	555,827	598,398	42,571
Fines, licenses and permits	208,259	215,316	231,807	16,491
Earnings on investments	113,125	116,958	125,916	8,958
Miscellaneous	<u>48,051</u>	<u>49,679</u>	<u>53,484</u>	<u>3,805</u>
Total receipts	<u>5,886,813</u>	<u>6,099,222</u>	<u>6,896,805</u>	<u>797,583</u>
Disbursements:				
Current:				
General government	1,432,570	1,510,000	1,515,994	(5,994)
Security of persons and property	2,547,690	2,653,000	2,555,591	97,409
Public health services	547,650	553,000	539,541	13,459
Leisure time activities	146,070	130,000	104,878	25,122
Community development	250,990	321,000	293,729	27,271
Basic utilities	327,940	350,000	330,034	19,966
Transportation	214,040	168,000	148,529	19,471
Capital outlay	<u>273,230</u>	<u>360,000</u>	<u>82,275</u>	<u>277,725</u>
Total disbursements	<u>5,740,180</u>	<u>6,045,000</u>	<u>5,570,571</u>	<u>474,429</u>
Excess of receipts over disbursements	146,633	54,222	1,326,234	1,272,015
Other financing sources (uses):				
Sale of assets	943	975	1,050	75
Transfers out	-	(381,193)	(381,193)	-
Other financing uses	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>(40)</u>
Total other financing sources (uses)	<u>943</u>	<u>(380,218)</u>	<u>(380,183)</u>	<u>35</u>
Net change in fund balance	147,576	(325,996)	946,051	1,272,047
Fund balance, beginning of year	<u>3,899,062</u>	<u>3,899,062</u>	<u>3,899,062</u>	<u>-</u>
Fund balance, end of year	\$ <u>4,046,638</u>	\$ <u>3,573,066</u>	\$ <u>4,845,113</u>	\$ <u>1,272,047</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Municipal income taxes	\$ 602,552	\$ 607,136	\$ -	\$ (607,136)
Intergovernmental	294,516	296,758	306,852	10,094
Miscellaneous	<u>22,932</u>	<u>23,106</u>	<u>23,892</u>	<u>786</u>
Total receipts	<u>920,000</u>	<u>927,000</u>	<u>330,744</u>	<u>(596,226)</u>
Disbursements:				
Current:				
Transportation	1,006,343	1,054,827	945,040	109,787
Capital outlay	<u>38,327</u>	<u>40,173</u>	<u>35,992</u>	<u>4,181</u>
Total disbursements	<u>1,044,670</u>	<u>1,095,000</u>	<u>981,032</u>	<u>113,968</u>
Net change in fund balance	(124,670)	(168,000)	(650,288)	(482,258)
Fund balance, beginning of year	<u>496,159</u>	<u>496,159</u>	<u>496,159</u>	<u>-</u>
Fund balance, end of year	\$ <u>371,489</u>	\$ <u>328,159</u>	\$ <u>(154,129)</u>	\$ <u>(482,258)</u>

# Village of Chagrin Falls

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

**December 31, 2019**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Assets:				
Equity in pooled cash and cash equivalents	\$ <u>745,871</u>	\$ <u>493,381</u>	\$ <u>1,239,252</u>	\$ <u>408,524</u>
Total assets	<u>745,871</u>	<u>493,381</u>	<u>1,239,252</u>	<u>408,524</u>
Net position:				
Unrestricted	<u>745,871</u>	<u>493,381</u>	<u>1,239,252</u>	<u>408,524</u>
	\$ <u><u>745,871</u></u>	\$ <u><u>493,381</u></u>	<u>1,239,252</u>	\$ <u><u>408,524</u></u>
Net position reported for business-type activities in the Statement of Net Position – Cash Basis are different because their share of internal service fund assets and liabilities are included			<u>81,706</u>	
Net position of business-type activities			\$ <u><u>1,320,958</u></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, 2019**

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity Internal Service
Operating receipts:				
Charges for services	\$ 2,111,084	\$ 1,632,603	\$ 3,743,687	\$ 380,610
Intergovernmental	281,201	270,428	551,629	-
Miscellaneous	55,852	39,375	95,227	7,095
Total operating receipts	<u>2,448,137</u>	<u>1,942,406</u>	<u>4,390,543</u>	<u>387,705</u>
Operating disbursements:				
Personal services	472,004	761,128	1,233,132	50,509
Contractual services	1,126,001	660,053	1,786,054	19,673
Materials and supplies	77,960	196,790	274,750	109,363
Other	1,483,995	127,509	1,611,504	266,593
Total operating disbursements	<u>3,159,960</u>	<u>1,745,480</u>	<u>4,905,440</u>	<u>446,138</u>
Operating (loss) income	<u>(711,823)</u>	<u>196,926</u>	<u>(514,897)</u>	<u>(58,433)</u>
Non-operating receipts (disbursements):				
Loan proceeds	151,534	-	151,534	-
Sale of Assets	-	-	-	26,000
Interest and fiscal charges	(26,794)	-	(26,794)	-
Principal retirement	(17,441)	(4,604)	(22,045)	-
Transfers in	155,033	226,160	381,193	-
Total non-operating income (disbursements)	<u>262,332</u>	<u>221,556</u>	<u>483,888</u>	<u>26,000</u>
Change in net position	(449,491)	418,482	(31,009)	(32,433)
Net position, beginning of year	<u>1,195,362</u>	<u>74,899</u>		<u>440,957</u>
Net position, end of year	\$ <u>745,871</u>	\$ <u>493,381</u>		\$ <u>408,524</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>(6,486)</u>	
Change in net position of business-type activities			\$ <u>(37,495)</u>	

**Village of Chagrin Falls**

Statement of Fiduciary Net Position – Cash Basis  
Fiduciary Fund

**December 31, 2019**

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	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>4,693</u>
Net position:	
Restricted	\$ <u><u>4,693</u></u>

**Village of Chagrin Falls**

Statement of Changes in Fiduciary Net Position – Cash Basis  
Fiduciary Fund

**For the Year Ended December 31, 2019**

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	<u>Custodial</u>
Additions:	
Intergovernmental	\$ 16,774
Deductions:	
Other distributions	<u>16,514</u>
Change in net position	260
Net position, beginning of year	<u>4,433</u>
Net position, end of year	\$ <u><u>4,693</u></u>

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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

The Village of Chagrin Falls, Cuyahoga County, Ohio (the “Village”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member council elected for two-year terms. The Mayor is elected to a four-year term.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

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 the “Basis of Accounting” section of this note, 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, 2019**

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### **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, 2019**

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### **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 accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

General Permanent Improvement Fund – This capital projects 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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement, or equivalent arrangement that has certain characteristics, for individuals, private organizations, or other governments and are not available to support the Village's own programs.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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

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

##### Fiduciary Funds (continued)

The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial funds account for amounts collected and distributed on behalf of another government or organization. The Village maintains one custodial fund, the paid/received as agent fund. 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 custodial 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, 2019**

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### **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 2019, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2019 were \$165,698.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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

#### ***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.

#### ***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. Interfund Receivables/Payables***

The Village reports income tax receipts misallocated between the General and Street Construction Maintenance and Repair (SCMR) Funds that exceeded the SCMR fund balance as interfund loans. These items are not advances and were a result of noncompliance pursuant to Village Ordinance No. 2016-29.

#### ***J. 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.

#### ***K. 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 other post-employment benefits (OPEB).

#### ***L. Long-Term Obligations***

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations.

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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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

#### ***M. 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.

#### ***N. 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 citizens' 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, as both are equally binding) 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, as both are equally binding) 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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

#### ***N. Fund Balance (continued)***

**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. State statute authorizes the Village to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

#### ***O. 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.

#### ***P. Estimates***

The cash basis of accounting used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2019

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### **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 in certain funds are included in the general fund as part of the GASB 54 requirements are not included in the budgetary statement. There was no difference between the budgetary basis and the cash basis in the street construction maintenance and repair fund.

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2019 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Cash basis	\$ 982,284	\$ (650,288)
Adjustment due To:		
Activity of funds reclassified for cash reporting purposes	<u>(36,233)</u>	<u>-</u>
Budgetary basis	\$ <u>946,051</u>	\$ <u>(650,288)</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.

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Year Ended December 31, 2019**

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations 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 Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.



# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2019

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

At December 31, 2019, 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, 2019, the Village had a book balance of \$7,232,773. Of the Village’s bank balance of \$7,286,738, \$1,192,859 was uninsured and uncollateralized. Two of the Village’s financial institutions participate in the Ohio Pooled Collateral System (OPCS) and both were approved for reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

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**

The fair value of these investments is not materially different from measurement value. As of December 31, 2019, the Village had the following investments:

	Measurement Value	Less Than 1 Year	1-5 Years
STAR Ohio	\$ 930,453	\$ 930,453	\$ -

*Interest Rate Risk* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

# Village of Chagrin Falls

## Notes to the Financial Statements

### For the Year Ended December 31, 2019

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

##### Investments (continued)

*Credit Risk* STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

#### Note 5: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. In 2019, 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	-	-	80,162	-	80,162
Police operations	-	-	-	28,586	28,586
Police and fire pension	-	-	-	5,339	5,339
Parks maintenance	-	-	-	14,702	14,702
Safe routes to school program	-	-	-	29,232	29,232
Issue II projects	-	-	9,173	-	9,173
Miscellaneous deposits	-	-	-	117,484	117,484
Cemetery	-	-	-	9,874	9,874
Debt service	-	-	-	11,705	11,705
Total restricted	<u>-</u>	<u>-</u>	<u>89,335</u>	<u>216,922</u>	<u>306,257</u>
Committed for:					
Cemetery perpetual care	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,585</u>	<u>22,585</u>
Assigned to:					
Construction of various projects	-	-	1,381,558	-	1,381,558
Earned interest	2,272	-	-	-	2,272
Giles foundation	<u>26,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,753</u>
Total assigned	<u>29,025</u>	<u>-</u>	<u>1,381,558</u>	<u>-</u>	<u>1,410,583</u>
Unassigned	<u>4,909,529</u>	<u>(154,129)</u>	<u>-</u>	<u>-</u>	<u>4,755,400</u>
Total fund balances, December 31, 2019	<u>\$ 4,938,554</u>	<u>\$ (154,129)</u>	<u>\$ 1,470,893</u>	<u>\$ 255,589</u>	<u>\$ 6,510,907</u>

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2019

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### **Note 6: 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 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 7: Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

2019 real property taxes are levied after October 1, 2019 on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien on December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2019, was \$8.30 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2019 property tax receipts were based are as follows:

	<u>2019</u>
Real property:	
Residential/agricultural	\$ 192,386,870
Commercial/industrial/mineral	26,194,670
Tangible personal property:	
Public utility	<u>2,500,460</u>
Total assessed value	<u>\$ 221,082,000</u>

# Village of Chagrin Falls

## Notes to the Financial Statements

### **For the Year Ended December 31, 2019**

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#### **Note 8: 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/defined contribution pension plan. 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 ACFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 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	<b>Traditional Plan Formula:</b> 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	<b>Traditional Plan Formula:</b> 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
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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### **Note 8: Defined Benefit Pension Plans (continued)**

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

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

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

When a 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% 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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### **Note 8: Defined Benefit Pension Plans (continued)**

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

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

	<u>State and Local</u>
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2019 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits*	<u>0.0 %</u>
Total Employer	<u>14.0 %</u>
 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 \$302,352 for 2019.

#### **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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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### **Note 8: Defined Benefit Pension Plans (continued)**

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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 ACFR 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 OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, 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 3% 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>
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee	12.25 %
<b>2019 Actual Contribution Rates</b>	
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 \$232,867 for 2019.

# Village of Chagrin Falls

Notes to the Financial Statements

## **For the Year Ended December 31, 2019**

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### **Note 9: 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 years of qualifying service credit with a minimum age of 60, or thirty years of qualifying service at any age. 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' ACFR 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 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.



## Village of Chagrin Falls

Notes to the Financial Statements

### **For the Year Ended December 31, 2019**

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#### **Note 9: Post-Employment Benefits (continued)**

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2019, 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 2019 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution related to health care was \$363 for 2019.

##### **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 to retirees, disabled and beneficiaries, as well their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an other post-employment benefit (OPEB) as described in GASB Statement No. 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](http://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% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. 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.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2019

### **Note 9: Post-Employment Benefits (continued)**

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, 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.

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 for health care to OP&F was \$1,164 for 2019.

### **Note 10: Debt**

For 2019, the Village implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The Village has incorporated any required disclosures into the following note.

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>
<b>General Obligation Bonds:</b>			
Various Purpose Improvement Bonds, Series 2017	2017	2.51%	\$ 1,200,000
Water Meter Improvement Bonds, Series 2018	2018	3.04%	950,000
<b>Ohio Public Works Commission Loans:</b>			
River and West Streets Water Supply	2018	0.00%	185,000
Wellfield-Greenbrier Water Transmission Main	2018	0.00%	663,582
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, 2019

#### Note 10: Debt (continued)

The Village's long-term debt activity for the year ended December 31, 2019, was as follows:

December 31, 2019	Debt Outstanding 12/31/2018	Debt Proceeds	Principal Paid	Ending Principal 12/31/2019	Due Within One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Various Purpose Improvement Bonds, Series 2017	\$ 1,009,000	\$ -	\$ 116,000	\$ 893,000	\$ 118,000
Total General Obligation Bonds	<u>1,009,000</u>	<u>-</u>	<u>116,000</u>	<u>893,000</u>	<u>118,000</u>
<i>Ohio Public Works Commission Loans:</i>					
River and West Street Water Supply	-	185,000	-	185,000	3,083
Wellfield-Greenbrier Water Transmission Main	-	512,048	-	512,048	-
West Washington Watermain Replacement	26,624	-	5,325	21,299	5,325
Falls Road Water System Improvement	70,950	-	12,900	58,050	12,900
Mill Street Stabilization	111,855	-	4,068	107,787	4,067
Total Ohio Public Works Commission	<u>209,429</u>	<u>697,048</u>	<u>22,293</u>	<u>884,184</u>	<u>25,375</u>
Total Governmental Activities	<u>1,218,429</u>	<u>697,048</u>	<u>138,293</u>	<u>1,777,184</u>	<u>143,375</u>
<b>Business-Type Activities:</b>					
<i>General Obligation Bonds:</i>					
Water Meter Improvement Bonds, Series 2018	950,000	-	-	950,000	66,000
Total General Obligation Bonds	<u>950,000</u>	<u>-</u>	<u>-</u>	<u>950,000</u>	<u>66,000</u>
<i>Ohio Public Works Commission Loans:</i>					
Wellfield-Greenbrier Water Transmission Main	-	151,534	-	151,534	-
Solon Road Watermain Repair	436,035	-	17,441	418,594	17,441
WWTP Renovation	41,438	-	4,604	36,834	4,605
Total Ohio Public Works Commission	<u>477,473</u>	<u>151,534</u>	<u>22,045</u>	<u>606,962</u>	<u>22,046</u>
Total Business-Type Activities	<u>1,427,473</u>	<u>151,534</u>	<u>22,045</u>	<u>1,556,962</u>	<u>88,046</u>
Total Village	<u>\$ 2,645,902</u>	<u>\$ 848,582</u>	<u>\$ 160,338</u>	<u>\$ 3,334,146</u>	<u>\$ 231,421</u>

The Village has pledged future receipts to repay the Ohio Public Works Commission (OPWC) loans in the Village governmental and business-type funds. The OPWC loans relate to road, sewer and watermain rehabilitation projects. These loans are interest free.

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, 2019

### Note 10: Debt (continued)

The 2018 River and West Streets Water Supply OPWC loan was for \$185,000 and will be repaid in semiannual installments of \$3,083 over 30 years. The 2018 Wellfield-Greenbrier Transmission Main OPWC loan was not finalized in 2019. Since this loan is not finalized, the repayment schedule is not included in the below schedule of debt service payments. The Village has not received the full amount of proceeds.

All general obligation bonds are supported by the full faith and credit of the Village and are payable from tax receipts and available revenues from the water system to the extent that other resources are not available to meet annual principal and interest payments.

The 2017 General Obligation Bond was 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 was 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:

<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>
2020	\$ 184,000	\$ 51,294	\$ 47,421	\$ 231,421	\$ 51,294
2021	189,000	46,327	50,505	239,505	46,327
2022	194,000	41,221	50,505	244,505	41,221
2023	201,000	35,981	50,504	251,504	35,981
2024	206,000	30,549	38,730	244,730	30,549
2025-2029	684,000	76,847	152,186	836,186	76,847
2030-2034	185,000	8,482	138,377	323,377	8,482
2035-2039	-	-	138,377	138,377	-
2040-2044	-	-	120,938	120,938	-
2045-2049	-	-	36,937	36,937	-
2050	-	-	3,084	3,084	-
Total	\$ <u>1,843,000</u>	\$ <u>290,701</u>	\$ <u>827,564</u>	\$ <u>2,670,564</u>	\$ <u>290,701</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, 2019, were an overall debt margin of \$21,382,315 and an unvoted debt margin of \$12,147,805.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2019

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### **Note 11: Interfund Transfers**

The Village made the following transfers during the year ended December 31, 2019:

	<u>Transfer from</u> General Fund
Transfer to:	
Water fund	\$ 155,033
Sanitary sewer fund	<u>226,160</u>
	<u>\$ 381,193</u>

The transfers among Village funds were made to provide additional resources for capital improvements in accordance with budgetary authorizations.

### **Note 12: Contingent Liabilities**

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of these proceedings, Village's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Village's financial position.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

### **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 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, 2019**

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### **Note 13: 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 \$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.

Settled claims have not exceeded coverage in any of the past three years and there have been no significant reduction in coverage from the prior year.

For the year ended December 31, 2019, the Village paid \$71,870 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**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$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 \$876,856 to CT Consultants during 2019.

### **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 225 communities in 17 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, 2019**

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### **Note 15: 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 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 2019. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #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 2019. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 2955 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 2019. 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, 2019**

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### **Note 15: 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 2019, the Village contributed \$189,662 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, 2019, was \$64,331. Future minimum payments for the remaining lease terms in excess of one year for the year ending December 31, 2019 are as follows:

2020	\$	64,331
2021		64,331
2022		64,331
2023		64,331
2024		<u>48,248</u>
Total	\$	<u>305,572</u>

On June 6, 2017, the Village entered into a lease agreement with the Federated Church of Chagrin Falls, “Lessor”, for the use of the Lessor owned parking lot. The Agreement is effective for a period of one year, commencing on the date of the agreement and ending on June 6, 2018. The agreement shall automatically continue from year to year unless either party gives written notice. The Village is to pay monthly rental payments of \$200.

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, 2019**

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#### **Note 16: Leases (continued)**

On February 1, 2019, the Village entered into a lease agreement with the Chagrin Valley Little Theater “Lessor”, for the use of the Lessor owned parking lot. The Agreement is effective for a period of one year commencing on the date of the agreement and ending on January 31, 2020. The agreement shall automatically continue from year to year unless either party gives written notice. The Village is to pay monthly rental payments of \$225.

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 17: Contractual Commitments**

For 2019, the Village implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs).

The Village is legally obligated to treat wastewater to State and Federal standards that is generated from its facility planning area. In order to retire the current wastewater treatment plant the Village would have to remove residual wastewater, sludge and other solids to another wastewater plant, remove treatment and laboratory chemicals and decontaminate equipment.

It has been estimated that the cost to retire the existing wastewater plant would be \$250,000. The estimated remaining useful life of the Village’s wastewater treatment plant is 15 years. The Village currently does not have any assets restricted for payment of the potential liability.

#### **Note 18: Change in Accounting Principle and Restatement of Net Position/Fund Equity**

For 2019, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, see Note 17, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, see Note 10, and GASB Statement No. 84, *Fiduciary Activities*.

# Village of Chagrin Falls

Notes to the Financial Statements

## For the Year Ended December 31, 2019

### **Note 18: Change in Accounting Principle and Restatement of Net Position/Fund Equity (continued)**

GASB Statements and guidance to be implemented in future reporting periods include GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 87, *Leases*. The Village is currently evaluating the impact that these Statements will have on its financial statements and disclosures.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities. This year the Village has implemented the GASB 84 fund definitions for fiduciary funds, as described in Note 2. The effect of the implementation and the required fund reclassifications are as follows:

Government-Wide Net Position:

	Governmental Activities
Net Position at December 31, 2018	\$ 6,832,017
GASB 84 fund reclassification	<u>139,752</u>
Restated Net Position at December 31, 2018	\$ <u><u>6,971,769</u></u>

Governmental Funds Fund Balances:

	Other Governmental Funds	Total Governmental Funds
Fund balance at December 31, 2018	\$ 128,132	\$ 6,479,252
GASB 84 fund reclassification	<u>139,752</u>	<u>139,752</u>
Restated fund balance at December 31, 2018	\$ <u><u>267,884</u></u>	\$ <u><u>6,619,004</u></u>

Fiduciary Funds Fiduciary Net Position:

	Custodial
Net Position at December 31, 2018	\$ -
GASB 84 fund reclassification	<u>4,432</u>
Restated Net Position at December 31, 2018	\$ <u><u>4,432</u></u>

### **Note 19: Subsequent Events**

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 its internal controls in the building and utilities departments.

# Village of Chagrin Falls

Notes to the Financial Statements

**For the Year Ended December 31, 2019**

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**Note 20: COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID19 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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**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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 24, 2023, 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2020-001 that we consider to be a material weakness.

***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 2020-001.

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

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 24, 2023

VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019

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

FINDING NUMBER 2020-001

**Allocation of Income Tax Receipts – Noncompliance and Material Weakness**

Village Ordinance No. 2016-29 increased the existing Village income tax rates and amended previous allocation percentages, resulting in municipal income receipt fund allocations of 81% and 19% to the General Fund and General Permanent Improvement Funds, respectively.

Due to lack of internal controls over the allocation of income tax receipts, in 2020 and 2019, the Village did not allocate income tax receipts as prescribed above, resulting in the following variances:

- In 2020, municipal income taxes receipts were understated in the General Fund by \$657,273 and overstated in the Street Construction Maintenance and Repair and Permanent Improvement Funds by \$615,266 and \$42,007, respectively.
- In 2019, municipal income taxes receipts were understated in the General Fund and overstated in the Street Construction Maintenance and Repair Fund by \$627,788.

Failure to properly post income tax receipts resulted in the mispostings noted above which required the Village to make adjustments to the accompanying financial statements and the Village's accounting system.

The Village should post income tax receipts in accordance with the above Village Ordinance.

**Officials' Response:** The Village discovered this error in March 2021 and subsequently made adjustments to correct for 2021 and properly post receipts going forward.



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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Transfers	Fully Corrected	None



# 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 3/9/2023**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)