



Mary Taylor, CPA
Auditor of State

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

TABLE OF CONTENTS

Title	Page
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements – Fiscal Year 2006:	
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements – Fiscal Year 2006:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	18
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Cemetery Fund	19
Statement of Fund Net Assets – Cash Basis – Proprietary Funds	21
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis – Proprietary Funds	22
Statement of Fiduciary Net Assets – Cash Basis	23
Government-wide Financial Statements – Fiscal Year 2005:	
Statement of Net Assets – Cash Basis	25
Statement of Activities – Cash Basis	26
Fund Financial Statements – Fiscal Year 2005:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	28
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	29

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

TABLE OF CONTENTS

Title	Page
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	32
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Cemetery Fund	33
Statement of Fund Net Assets – Cash Basis – Proprietary Funds	34
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis – Proprietary Funds	35
Statement of Fiduciary Net Assets – Cash Basis	36
Notes to the Basic Financial Statements	37
Schedule of Federal Awards Expenditures for the Year Ended December 31, 2005	61
Notes to the Schedule of Federal Awards Expenditures for the Year Ended December 31, 2005	62
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	63
Independent Accountants' Report on Compliance with Requirements Applicable to It's Major Federal Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133	65
Schedule of Findings	67
Schedule of Prior Year Findings	79



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio, as of December 31, 2006 and December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General and Cemetery Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Schedule of Federal Awards Expenditures

We conducted our audit to opine on the financial statements that collectively compromise the Village's basic financial statements. The accompanying schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

September 11, 2007

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited**

This discussion and analysis of the Village of Chagrin Falls, Cuyahoga County, Ohio, (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2006 and December 31, 2005, 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 2006, net assets of governmental activities decreased \$1,020,648, a 16.8 percent change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Permanent Improvement Fund, which realized the greatest burden of increased costs in 2006 due to the Streetscape Project. In 2005, net assets of governmental activities decreased \$2,747,353, a 31.08 percent change from the prior year. This decrease in net assets was chiefly caused by the Streetscape Project, a beautification of the downtown business district. This project included the removal of all utility poles and overhead wires, new sidewalks, and water and sewer main replacement.
- In 2006, net assets of proprietary activities increased \$146,688 or 3.97 percent from the prior year while in 2005, net assets of proprietary activities increased \$42,284, a 1.15 percent change from the prior year. These increases were due to increases in fees charged.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

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

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

Basis of Accounting

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

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)**

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 Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

Business-type 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.

Reporting the Village's Most Significant Funds

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

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

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)**

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 – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sanitary Sewer funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has one internal service fund to account for the purchase of long lasting capital equipment.

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 and 2005 compared to 2004 on a cash basis:

(Table 1)
Governmental Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,069,844	\$6,090,492	\$8,837,845
Total Assets	<u>\$5,069,844</u>	<u>\$6,090,492</u>	<u>\$8,837,845</u>
Net Assets			
Restricted for:			
Debt Service	\$194,711	\$202,009	\$186,698
Capital Projects	938,224	2,254,768	4,761,041
Other Purposes	2,248,159	2,006,630	1,800,965
Unrestricted	<u>1,688,750</u>	<u>1,627,085</u>	<u>2,089,141</u>
Total Net Assets	<u>\$5,069,844</u>	<u>\$6,090,492</u>	<u>\$8,837,845</u>

**VILLAGE OF CHAGRIN FALLS
 CUYAHOGA COUNTY
 Management's Discussion and Analysis
 December 31, 2006 and 2005
 Unaudited
 (Continued)**

(Table 1)
Business-Type Net Assets

	2006	2005	2004
Assets			
Cash and Cash Equivalents	\$3,839,674	\$3,692,986	\$3,650,702
Total Assets	\$3,839,674	\$3,692,986	\$3,650,702
 Net Assets			
Unrestricted	\$3,839,674	\$3,692,986	\$3,650,702
Total Net Assets	\$3,839,674	\$3,692,986	\$3,650,702

Net assets of governmental activities decreased \$1,020,648 or 16.8 percent during 2006 and \$2,747,353 or 31.08 percent during 2005. The primary reason contributing to the decreases in cash balances was due to the Streetscape Project.

Net assets of business-type activities increased \$146,688 or 3.97 percent during 2006 and \$42,284 or 1.16 percent during 2005. The primary reason contributing to the increases in cash balances was due to the increase of the water and sewer rates during 2005 and 2006 with minimal or no increase in expenditures.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)**

Table 2 reflects components of the changes in net assets in 2006, 2005 and 2004.

	2006	2005	2004
Changes in Governmental Net Assets			
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$812,345	\$1,009,504	\$831,051
Operating Grants and Special Assessments	18,085	22,123	80,088
Capital Grants and Contributions	627,817	496,277	58,693
Total Program Receipts	1,458,247	1,527,904	969,832
General Receipts:			
Property Taxes	1,410,219	1,430,916	1,406,365
Municipal Income Taxes	2,693,242	2,569,238	2,376,808
Grants and Entitlements Not Restricted to Specific Programs	961,532	1,992,363	1,459,371
Proceeds from OPWC Loans	65,736	61,264	63,214
Interest	317,047	216,294	127,871
Miscellaneous	120,901	78,528	179,083
Total General Receipts	5,568,677	6,348,603	5,612,712
Total Receipts	7,026,924	7,876,507	6,582,544
Disbursements:			
General Government	1,306,414	1,373,863	1,195,712
Security of Persons and Property	2,256,952	2,282,942	2,255,648
Public Health Services	390,215	407,335	364,370
Leisure Time Activities	140,776	65,573	68,032
Community Environment	215,893	239,726	554,246
Basic Utilities	265,321	297,280	772,508
Transportation	2,809,011	5,300,266	2,136,757
Principal Retirement	442,339	417,339	350,000
Interest and Fiscal Charges	220,651	239,536	281,408
Total Disbursements	8,047,572	10,623,860	7,978,681
Increase (Decrease) in Net Assets	(1,020,648)	(2,747,353)	(1,396,137)
Net Assets, January 1	6,090,492	8,837,845	10,233,982
Net Assets, December 31	\$5,069,844	\$6,090,492	\$8,837,845

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)**

(Table 2)
Changes in Business-Type Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$2,372,859	\$2,448,049	\$2,219,800
Total Program Receipts	<u>2,372,859</u>	<u>2,448,049</u>	<u>2,219,800</u>
General Receipts:			
Interest	232,786	79,631	61,635
Miscellaneous	6,518	8,228	1,408
Total General Receipts	<u>239,304</u>	<u>87,859</u>	<u>63,043</u>
Total Receipts	<u>2,612,163</u>	<u>2,535,908</u>	<u>2,282,843</u>
Disbursements:			
Principal Retirement	0	0	33,400
Interest and Fiscal Charges	0	0	1,242
Water	1,266,838	1,292,277	1,247,208
Sewer	<u>1,198,637</u>	<u>1,201,347</u>	<u>1,007,214</u>
Total Disbursements	<u>2,465,475</u>	<u>2,493,624</u>	<u>2,289,064</u>
Increase (Decrease) in Net Assets	146,688	42,284	(6,221)
Net Assets, January 1	<u>3,692,986</u>	<u>3,650,702</u>	<u>3,656,923</u>
Net Assets, December 31	<u><u>\$3,839,674</u></u>	<u><u>\$3,692,986</u></u>	<u><u>\$3,650,702</u></u>

Governmental Funds:

Program receipts of governmental activities represent only 20.76 percent in 2006 and 19.40 percent in 2005 of total receipts. They consisted of monies received from Chagrin Falls Township and the Villages of Bentleyville, Hunting Valley, Moreland Hills, Orange, South Russell and Woodmere for radio contracts and reimbursements from ODOT for the Streetscape Project.

General receipts of governmental activities represent 79.24 percent in 2006 and 80.60 percent in 2005 of the Village's total governmental activities receipts, and of these amounts, 73.71 percent and 63.01 percent are property and other local taxes and income taxes, respectively. Unrestricted state grants and entitlements, proceeds from OPWC loans and investment income constitute roughly 24 percent of the Village's general receipts during 2006 and roughly 36 percent during 2005. Other receipts are insignificant and somewhat unpredictable revenue sources.

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

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)**

Business-Type Funds:

Program receipts of business-type activities represent 90.84 percent in 2006 and 96.54 percent in 2005 of total receipts. They are primarily comprised of charges for services to operate water and sanitary sewer.

General receipts of business-type activities represent only 9.16 percent in 2006 and 3.46 percent of 2005 of the Village's total business-type activities receipts. The program receipts for business-type activities are made of interest and miscellaneous revenues.

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

Governmental Activities

If you look at the Statement of Activities on pages 12 and 26, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property; community environment; and Transportation. The next three columns of the Statement, titled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers and other sources. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities					
	Total Cost Of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005	2004	2004
General Government	\$1,306,414	(\$1,061,025)	\$1,373,863	(\$903,759)	\$1,195,712	(\$778,697)
Security of Persons and Prop.	2,256,952	(1,773,714)	2,282,942	(1,817,432)	2,255,648	(1,810,784)
Public Health Services	390,215	(292,512)	407,335	(311,322)	364,370	(315,110)
Leisure Time Activities	140,776	(140,776)	65,573	(65,573)	68,032	(68,032)
Community Environment	215,893	(215,893)	239,726	(239,726)	554,246	(554,246)
Basic Utilities	265,321	(265,321)	297,280	(297,280)	772,508	(772,508)
Transportation	2,809,011	(2,232,844)	5,300,266	(4,862,333)	2,136,757	(2,136,757)
Principal Retirement	442,339	(386,589)	417,339	(358,995)	350,000	(291,307)
Interest and Fiscal Charges	220,651	(220,651)	239,536	(239,536)	281,408	(281,408)
Total Expenses	\$8,047,572	(\$6,589,325)	\$10,623,860	(\$9,095,956)	\$7,978,681	(\$7,008,849)

The dependence upon property and income tax receipts is apparent as 51 percent of governmental activities were supported through these general receipts during 2006 and over 37 percent during 2005.

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 (\$92,616) for 2006 and (\$45,575) for 2005.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)**

The Government's Funds

In 2006, total governmental funds had receipts of \$7,081,924 and disbursements of \$7,983,213 resulting in a decrease of \$901,289. The greatest change within governmental funds occurred within the General Permanent Improvement fund. The fund balance of the General Permanent Improvement fund decreased \$1,073,765 as the result of costs of various permanent improvement projects.

In 2005, total governmental funds had general receipts of \$7,779,505 and disbursements of \$10,532,563 resulting in a decrease of \$2,753,058. The greatest change was in the General Permanent Improvement fund as the result of costs of various permanent improvement projects.

General Fund Budgeting Highlights

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

During 2006 and 2005, the Village amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant. There was no variance between the final budgeted expenditures and the actual expenditures.

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, 2006, the Village's outstanding debt included \$3,705,000 in General Obligation Bonds, \$150,000 in Special Assessment Bonds, and \$484,639 in Ohio Public Works Commission interest-free loans. For further information regarding the Village's debt, refer to Note 9 of the basic financial statements.

Contacting the Government's Financial Management

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

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,069,844	\$3,839,674	\$8,909,518
<i>Total Assets</i>	<u>\$5,069,844</u>	<u>\$3,839,674</u>	<u>\$8,909,518</u>
Net Assets			
Restricted for:			
Capital Projects	\$938,224	\$0	\$938,224
Debt Service	194,711	0	194,711
Other Purposes	2,248,159	0	2,248,159
Unrestricted	<u>1,688,750</u>	<u>3,839,674</u>	<u>5,528,424</u>
<i>Total Net Assets</i>	<u>\$5,069,844</u>	<u>\$3,839,674</u>	<u>\$8,909,518</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants
Governmental Activities			
General Government	\$1,306,414	\$245,389	\$0
Security of Persons and Property	2,256,952	465,153	18,085
Public Health Services	390,215	97,703	0
Leisure Time Activities	140,776	0	0
Community Environment	215,893	0	0
Basic Utility Services	265,321	0	0
Transportation	2,809,011	4,100	0
Principal Retirement	442,339	0	0
Interest and Fiscal Charges	220,651	0	0
<i>Total Governmental Activities</i>	8,047,572	812,345	18,085
Business Type Activity			
Water	1,266,838	1,271,967	0
Sewer	1,198,637	1,100,892	0
<i>Total Business-Type Activities</i>	2,465,475	2,372,859	0
Total	\$10,513,047	\$3,185,204	\$18,085

General Receipts

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

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

<u>Net (Disbursements) Receipts and Changes in Net Assets</u>			
<u>Capital Grants and Special Assessments</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$0	(\$1,061,025)	\$0	(\$1,061,025)
0	(1,773,714)	0	(1,773,714)
0	(292,512)	0	(292,512)
0	(140,776)	0	(140,776)
0	(215,893)	0	(215,893)
0	(265,321)	0	(265,321)
572,067	(2,232,844)	0	(2,232,844)
55,750	(386,589)	0	(386,589)
0	(220,651)	0	(220,651)
627,817	(6,589,325)	0	(6,589,325)
0	0	5,129	5,129
0	0	(97,745)	(97,745)
0	0	(92,616)	(92,616)
<u>\$627,817</u>	<u>(6,589,325)</u>	<u>(92,616)</u>	<u>(6,681,941)</u>
	943,621		943,621
	466,598	0	466,598
	2,693,242	0	2,693,242
	961,532	0	961,532
	65,736	0	65,736
	317,047	232,786	549,833
	120,901	6,518	127,419
	<u>5,568,677</u>	<u>239,304</u>	<u>5,807,981</u>
	(1,020,648)	146,688	(873,960)
	<u>6,090,492</u>	<u>3,692,986</u>	<u>9,783,478</u>
	<u>\$5,069,844</u>	<u>\$3,839,674</u>	<u>\$8,909,518</u>

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Cemetery</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,925,177	\$977,030	\$1,181,003	\$611,981	\$4,695,191
<i>Total Assets</i>	<u>\$1,925,177</u>	<u>\$977,030</u>	<u>\$1,181,003</u>	<u>\$611,981</u>	<u>\$4,695,191</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,925,177	0	0	0	1,925,177
Special Revenue Funds	0	977,030	0	417,270	1,394,300
Debt Service Fund	0	0	0	194,711	194,711
Capital Projects Funds	0	0	1,181,003	0	1,181,003
<i>Total Fund Balances</i>	<u>\$1,925,177</u>	<u>\$977,030</u>	<u>\$1,181,003</u>	<u>\$611,981</u>	<u>\$4,695,191</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2006

Total Governmental Fund Balances	\$4,695,191
---	-------------

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

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

374,653

Net Assets of Governmental Activities

\$5,069,844

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Cemetery	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$2,293,342	\$0	\$0	\$399,900	\$2,693,242
Property and Other Local Taxes	899,877	0	0	510,342	1,410,219
Special Assessments	0	0	0	55,750	55,750
Charges for Services	650,478	0	4,100	0	654,578
Fines, Licenses and Permits	92,767	0	0	80	92,847
Intergovernmental	324,352	0	893,500	333,752	1,551,604
Interest	140,881	57,088	104,754	14,781	317,504
Miscellaneous	38,883	0	25,442	56,119	120,444
<i>Total Receipts</i>	<u>4,440,580</u>	<u>57,088</u>	<u>1,027,796</u>	<u>1,370,724</u>	<u>6,896,188</u>
Disbursements					
Current:					
General Government	1,035,852	0	0	13,698	1,049,550
Security of Persons and Property	2,146,259	0	0	63,908	2,210,167
Public Health Services	390,215	0	0	0	390,215
Leisure Time Activities	109,064	0	0	0	109,064
Community Environment	215,893	0	0	0	215,893
Basic Utility Services	265,321	0	0	0	265,321
Transportation	15,991	0	0	619,333	635,324
Capital Outlay	148,206	0	2,154,958	18,018	2,321,182
Debt Service:					
Principal Retirement	0	0	32,339	410,000	442,339
Interest and Fiscal Charges	0	0	0	220,651	220,651
<i>Total Disbursements</i>	<u>4,326,801</u>	<u>0</u>	<u>2,187,297</u>	<u>1,345,608</u>	<u>7,859,706</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>113,779</u>	<u>57,088</u>	<u>(1,159,501)</u>	<u>25,116</u>	<u>(963,518)</u>
Other Financing Sources (Uses)					
Proceeds from OPWC Loans	0	0	65,736	0	65,736
Transfers In	0	0	20,000	100,000	120,000
Transfers Out	(100,000)	0	0	(20,000)	(120,000)
Other Financing Uses	(1,324)	0	0	(2,183)	(3,507)
<i>Total Other Financing Sources (Uses)</i>	<u>(101,324)</u>	<u>0</u>	<u>85,736</u>	<u>77,817</u>	<u>62,229</u>
<i>Net Change in Fund Balances</i>	12,455	57,088	(1,073,765)	102,933	(901,289)
<i>Fund Balances Beginning of Year</i>	<u>1,912,722</u>	<u>919,942</u>	<u>2,254,768</u>	<u>509,048</u>	<u>5,596,480</u>
<i>Fund Balances End of Year</i>	<u>\$1,925,177</u>	<u>\$977,030</u>	<u>\$1,181,003</u>	<u>\$611,981</u>	<u>\$4,695,191</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds	(\$901,289)
---	-------------

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

Internal service fund used for purchase of long standing capital assets.

The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund revenues (expenses).

(119,359)

Change in Net Assets of Governmental Activities

(\$1,020,648)

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$2,053,277	\$2,302,787	\$2,293,342	(\$9,445)
Property and Other Local Taxes	805,678	903,583	899,877	(3,706)
Charges for Services	582,386	653,157	650,478	(2,679)
Fines, Licenses and Permits	83,056	93,149	92,767	(382)
Intergovernmental	290,399	325,688	324,352	(1,336)
Interest	126,134	141,461	140,881	(580)
Miscellaneous	34,813	39,043	38,883	(160)
<i>Total receipts</i>	3,975,743	4,458,868	4,440,580	(18,288)
Disbursements				
Current:				
General Government	1,038,606	1,035,852	1,035,852	0
Security of Persons and Property	2,151,320	2,146,259	2,146,259	0
Public Health Services	382,480	390,215	390,215	0
Leisure Time Activities	86,140	109,064	109,064	0
Community Environment	209,580	215,893	215,893	0
Basic Utility Services	309,920	265,321	265,321	0
Transportation	13,420	15,991	15,991	0
Capital Outlay	229,300	148,206	148,206	0
<i>Total Disbursements</i>	4,420,766	4,326,801	4,326,801	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(445,023)	132,067	113,779	(18,288)
Other Financing Sources (Uses)				
Transfers Out	(100,000)	(100,000)	(100,000)	0
Other Financing Uses	(1,200)	(1,324)	(1,324)	0
<i>Total Other Financing Sources (Uses)</i>	(101,200)	(101,324)	(101,324)	0
<i>Net Change in Fund Balance</i>	(546,223)	30,743	12,455	(18,288)
<i>Fund Balance Beginning of Year</i>	1,912,722	1,912,722	1,912,722	0
<i>Fund Balance End of Year</i>	\$1,366,499	\$1,943,465	\$1,925,177	(\$18,288)

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Interest	\$0	\$57,088	\$57,088	\$0
<i>Total receipts</i>	<u>0</u>	<u>57,088</u>	<u>57,088</u>	<u>0</u>
Disbursements				
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>57,088</u>	<u>57,088</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	57,088	57,088	0
<i>Fund Balance Beginning of Year</i>	<u>919,942</u>	<u>919,942</u>	<u>919,942</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$919,942</u>	<u>\$977,030</u>	<u>\$977,030</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2006

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,944,163	\$1,895,511	\$3,839,674	\$374,653
<i>Total Assets</i>	<u>\$1,944,163</u>	<u>\$1,895,511</u>	<u>\$3,839,674</u>	<u>\$374,653</u>
Net Assets				
Unrestricted	\$1,944,163	\$1,895,511	\$3,839,674	\$374,653
	<u>\$1,944,163</u>	<u>\$1,895,511</u>	<u>\$3,839,674</u>	<u>\$374,653</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
Operating Receipts				
Charges for Services	\$1,271,967	\$1,100,892	\$2,372,859	\$65,000
Other Operating Receipts	3,543	2,975	6,518	0
<i>Total Operating Receipts</i>	<u>1,275,510</u>	<u>1,103,867</u>	<u>2,379,377</u>	<u>65,000</u>
Operating Disbursements				
Personal Services	331,012	738,800	1,069,812	34,686
Travel Transportation	7,546	3,486	11,032	0
Contractual Services	845,701	347,453	1,193,154	23,254
Materials and Supplies	54,603	86,796	141,399	77,753
Other	27,976	22,102	50,078	48,666
Redemption of Principal	0	0	0	0
Interest and Other Fiscal Charges	0	0	0	0
<i>Total Operating Disbursements</i>	<u>1,266,838</u>	<u>1,198,637</u>	<u>2,465,475</u>	<u>184,359</u>
<i>Operating Income (Loss)</i>	8,672	(94,770)	(86,098)	(119,359)
Non-Operating Receipts				
Interest	116,947	115,839	232,786	0
<i>Change in Net Assets</i>	125,619	21,069	146,688	(119,359)
<i>Net Assets Beginning of Year</i>	<u>1,818,544</u>	<u>1,874,442</u>	<u>3,692,986</u>	<u>494,012</u>
<i>Net Assets End of Year</i>	<u>\$1,944,163</u>	<u>\$1,895,511</u>	<u>\$3,839,674</u>	<u>\$374,653</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$57,848
<i>Total Assets</i>	<u>\$57,848</u>
Net Assets	
Unrestricted	<u>\$57,848</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,090,492	\$3,692,986	\$9,783,478
<i>Total Assets</i>	<u>\$6,090,492</u>	<u>\$3,692,986</u>	<u>\$9,783,478</u>
Net Assets			
Restricted for:			
Capital Projects	\$2,254,768	\$0	\$2,254,768
Debt Service	202,009	0	202,009
Other Purposes	2,006,630	0	2,006,630
Unrestricted	1,627,085	3,692,986	5,320,071
<i>Total Net Assets</i>	<u>\$6,090,492</u>	<u>\$3,692,986</u>	<u>\$9,783,478</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants
Governmental Activities			
General Government	\$1,373,863	\$470,104	\$0
Security of Persons and Property	2,282,942	443,387	22,123
Public Health Services	407,335	96,013	0
Leisure Time Activities	65,573	0	0
Community Environment	239,726	0	0
Basic Utility Services	297,280	0	0
Transportation	5,300,266	0	0
Principal Retirement	417,339	0	0
Interest and Fiscal Charges	239,536	0	0
<i>Total Governmental Activities</i>	10,623,860	1,009,504	22,123
Business Type Activity			
Water	1,292,277	1,328,896	0
Sewer	1,201,347	1,119,153	0
<i>Total Business-Type Activities</i>	2,493,624	2,448,049	0
Total	\$13,117,484	\$3,457,553	\$22,123

General Receipts

Property Taxes Levied for:

General Purposes

Debt Service

Municipal Income Taxes

Grants and Entitlements

not Restricted to Specific Programs

Proceeds from OPWC Loans

Interest

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

<u>Capital Grants and Special Assessments</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$0	(\$903,759)	\$0	(\$903,759)
0	(1,817,432)	0	(1,817,432)
0	(311,322)	0	(311,322)
0	(65,573)	0	(65,573)
0	(239,726)	0	(239,726)
0	(297,280)	0	(297,280)
437,933	(4,862,333)	0	(4,862,333)
58,344	(358,995)	0	(358,995)
0	(239,536)	0	(239,536)
496,277	(9,095,956)	0	(9,095,956)
0	0	36,619	36,619
0	0	(82,194)	(82,194)
0	0	(45,575)	(45,575)
<u>\$496,277</u>	<u>(9,095,956)</u>	<u>(45,575)</u>	<u>(9,141,531)</u>
	958,090	0	958,090
	472,826	0	472,826
	2,569,238	0	2,569,238
	1,992,363	0	1,992,363
	61,264	0	61,264
	216,294	79,631	295,925
	78,528	8,228	86,756
	<u>6,348,603</u>	<u>87,859</u>	<u>6,436,462</u>
	(2,747,353)	42,284	(2,705,069)
	<u>8,837,845</u>	<u>3,650,702</u>	<u>12,488,547</u>
	<u>\$6,090,492</u>	<u>\$3,692,986</u>	<u>\$9,783,478</u>

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Cemetery</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,912,722	\$919,942	\$2,254,768	\$509,048	\$5,596,480
<i>Total Assets</i>	<u>\$1,912,722</u>	<u>\$919,942</u>	<u>\$2,254,768</u>	<u>\$509,048</u>	<u>\$5,596,480</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,912,722	0	0	0	1,912,722
Special Revenue Funds	0	919,942	0	307,041	1,226,983
Debt Service Fund	0	0	0	202,007	202,007
Capital Projects Funds	0	0	2,254,768	0	2,254,768
<i>Total Fund Balances</i>	<u>\$1,912,722</u>	<u>\$919,942</u>	<u>\$2,254,768</u>	<u>\$509,048</u>	<u>\$5,596,480</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005

Total Governmental Fund Balances	\$5,596,480
---	-------------

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

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

494,012

Net Assets of Governmental Activities

\$6,090,492

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Cemetery	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$2,185,397	\$0	\$0	\$383,841	\$2,569,238
Property and Other Local Taxes	913,763	0	0	517,153	1,430,916
Special Assessments	0	0	0	58,344	58,344
Charges for Services	718,298	0	0	0	718,298
Fines, Licenses and Permits	74,204	0	0	0	74,204
Intergovernmental	319,382	0	1,771,149	361,888	2,452,419
Interest	55,418	18,971	126,512	14,728	215,629
Miscellaneous	13,460	0	6,210	59,523	79,193
<i>Total Receipts</i>	<u>4,279,922</u>	<u>18,971</u>	<u>1,903,871</u>	<u>1,395,477</u>	<u>7,598,241</u>
Disbursements					
Current:					
General Government	1,075,361	0	0	28,193	1,103,554
Security of Persons and Property	2,136,863	0	0	79,369	2,216,232
Public Health Services	375,247	0	0	0	375,247
Leisure Time Activities	60,892	0	0	0	60,892
Community Environment	239,726	0	0	0	239,726
Basic Utility Services	297,280	0	0	0	297,280
Transportation	10,978	0	0	788,019	798,997
Capital Outlay	159,994	0	4,459,069	42,200	4,661,263
Debt Service:					
Principal Retirement	0	0	32,339	385,000	417,339
Interest and Fiscal Charges	0	0	0	239,536	239,536
<i>Total Disbursements</i>	<u>4,356,341</u>	<u>0</u>	<u>4,491,408</u>	<u>1,562,317</u>	<u>10,410,066</u>
<i>Excess of Receipts</i>					
<i>Over (Under) Disbursements</i>	<u>(76,419)</u>	<u>18,971</u>	<u>(2,587,537)</u>	<u>(166,840)</u>	<u>(2,811,825)</u>
Other Financing Sources (Uses)					
Proceeds from OPWC Loans	0	0	61,264	0	61,264
Transfers In	0	0	20,000	100,000	120,000
Transfers Out	(100,000)	0	0	(20,000)	(120,000)
Other Financing Uses	0	0	0	(2,497)	(2,497)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>0</u>	<u>81,264</u>	<u>77,503</u>	<u>58,767</u>
<i>Net Change in Fund Balances</i>	<u>(176,419)</u>	<u>18,971</u>	<u>(2,506,273)</u>	<u>(89,337)</u>	<u>(2,753,058)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,089,141</u>	<u>900,971</u>	<u>4,761,041</u>	<u>598,385</u>	<u>8,349,538</u>
<i>Fund Balances End of Year</i>	<u>\$1,912,722</u>	<u>\$919,942</u>	<u>\$2,254,768</u>	<u>\$509,048</u>	<u>\$5,596,480</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds	(\$2,753,058)
---	---------------

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

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

5,705

Change in Net Assets of Governmental Activities

(\$2,747,353)

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS

CUYAHOGA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$2,056,178	\$2,167,415	\$2,185,397	\$17,982
Property and Other Local Taxes	865,633	912,463	920,033	7,570
Charges for Services	675,826	712,388	718,298	5,910
Fines, Licenses and Permits	69,817	73,593	74,204	611
Intergovernmental	294,598	310,536	313,112	2,576
Interest	52,141	54,962	55,418	456
Miscellaneous	12,664	13,349	13,460	111
<i>Total receipts</i>	<u>4,026,857</u>	<u>4,244,706</u>	<u>4,279,922</u>	<u>35,216</u>
Disbursements				
Current:				
General Government	1,028,848	1,075,361	1,075,361	0
Security of Persons and Property	2,125,500	2,136,863	2,136,863	0
Public Health Services	387,444	375,247	375,247	0
Leisure Time Activities	61,772	60,892	60,892	0
Community Environment	217,444	239,726	239,726	0
Basic Utility Services	311,436	297,280	297,280	0
Transportation	20,336	10,978	10,978	0
Capital Outlay	189,700	159,994	159,994	0
<i>Total Disbursements</i>	<u>4,342,480</u>	<u>4,356,341</u>	<u>4,356,341</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(315,623)</u>	<u>(111,635)</u>	<u>(76,419)</u>	<u>(35,216)</u>
Other Financing Sources (Uses)				
Transfers Out	(100,000)	(100,000)	(100,000)	0
Other Financing Uses	(1,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(101,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(416,623)</u>	<u>(211,635)</u>	<u>(176,419)</u>	<u>(35,216)</u>
<i>Fund Balance Beginning of Year</i>	<u>2,089,141</u>	<u>2,089,141</u>	<u>2,089,141</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,672,518</u></u>	<u><u>\$1,877,506</u></u>	<u><u>\$1,912,722</u></u>	<u><u>(\$35,216)</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Interest	\$0	\$14,734	\$18,971	\$4,237
<i>Total receipts</i>	<u>0</u>	<u>14,734</u>	<u>18,971</u>	<u>4,237</u>
Disbursements				
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>14,734</u>	<u>18,971</u>	<u>4,237</u>
<i>Net Change in Fund Balance</i>	0	14,734	18,971	4,237
<i>Fund Balance Beginning of Year</i>	<u>900,971</u>	<u>900,971</u>	<u>900,971</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$900,971</u>	<u>\$915,705</u>	<u>\$919,942</u>	<u>\$4,237</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,818,544	\$1,874,442	\$3,692,986	\$494,012
<i>Total Assets</i>	<u>\$1,818,544</u>	<u>\$1,874,442</u>	<u>\$3,692,986</u>	<u>\$494,012</u>
Net Assets				
Unrestricted	\$1,818,544	\$1,874,442	\$3,692,986	\$494,012
	<u>\$1,818,544</u>	<u>\$1,874,442</u>	<u>\$3,692,986</u>	<u>\$494,012</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activity
	Water	Sanitary Sewer	Total Enterprise Funds	Internal Service
Operating Receipts				
Charges for Services	\$1,328,896	\$1,119,153	\$2,448,049	\$217,002
Other Operating Receipts	1,257	6,971	8,228	320
<i>Total Operating Receipts</i>	<u>1,330,153</u>	<u>1,126,124</u>	<u>2,456,277</u>	<u>217,322</u>
Operating Disbursements				
Personal Services	316,372	688,657	1,005,029	37,730
Travel Transportation	4,419	3,614	8,033	0
Contractual Services	869,162	345,521	1,214,683	28,274
Materials and Supplies	70,316	114,886	185,202	80,579
Other	32,008	48,669	80,677	65,034
<i>Total Operating Disbursements</i>	<u>1,292,277</u>	<u>1,201,347</u>	<u>2,493,624</u>	<u>211,617</u>
<i>Operating Income (Loss)</i>	37,876	(75,223)	(37,347)	5,705
Non-Operating Receipts				
Interest	38,692	40,939	79,631	0
<i>Change in Net Assets</i>	76,568	(34,284)	42,284	5,705
<i>Net Assets Beginning of Year</i>	<u>1,741,976</u>	<u>1,908,726</u>	<u>3,650,702</u>	<u>488,307</u>
<i>Net Assets End of Year</i>	<u>\$1,818,544</u>	<u>\$1,874,442</u>	<u>\$3,692,986</u>	<u>\$494,012</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$22,789
<i>Total Assets</i>	<u>\$22,789</u>
Net Assets	
Unrestricted	<u>\$22,789</u>

See accompanying notes to the basic financial statements

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005

Note 1 – Reporting Entity

The Village of Chagrin Falls, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council. The Village provides general governmental services including maintenance of roads, rubbish collections, sanitary sewer/storm facilities, water, building, zoning safety services and police and fire protection.

A. Primary Government

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

B. Component Units

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

C. Joint Venture, Jointly Governed Organization and Public Entity Risk Pool

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

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

Jointly Governed Organization:
Northeast Ohio Public Energy Council
Public Entity Risk Pool:
Northern Ohio Risk Management Association

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

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

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the *modified* cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

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

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

During 2006 and 2005, the Village invested in nonnegotiable certificates of deposit, savings accounts and U.S. government securities. All investments are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$140,881 and \$55,418 respectively.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

M. Fund Balance Reserves

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

N. Interfund Transactions

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

Note 3 – Compliance

A. Expenditures and Encumbrances exceeded Appropriations

As of September 30, 2005 the following funds had expenditures plus encumbrances in excess of appropriations in violation of Ohio Revised Code Section 5705.41 (B) & (D):

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
	\$35,200	\$35,875	(\$675)
Police Law Enforcement – Overtime			
Fire Fighting – Unemployment and Workers' Comp.	3,800	5,157	(1,357)
Fire Fighting – Travel and Education	4,000	5,386	(1,386)
Police/Fire Comm. – Utilities	12,200	13,017	(817)
Police/Fire Comm. – Contractual Services	78,500	87,323	(8,823)
Police/Fire Comm. – Operating Expenses	2,000	20,895	(18,895)
Cemetery – Part Time	7,400	7,933	(533)
Ambulance – Ambulance Fees and Misc. Services	218,500	383,499	(164,999)
Parks – Utilities	3,400	6,078	(2,678)
Parks – Contractual Services	2,700	4,159	(1,459)
Planning and Zoning – Contractual Services	39,500	42,345	(2,845)

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 3 – Compliance(continued)

A. Expenditures and Encumbrances exceeded Appropriations (continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30,2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
General Fund:			
Forestry – Contractual Services	\$65,000	\$77,802	(\$12,802)
Refuse Collection/Disposal – Overtime	1,600	2,544	(944)
Parking – Operating Expenses	1,400	6,174	(4,774)
Court – Salaries & Wages	2,200	8,258	(6,058)
Finance – Contractual Services	32,800	49,787	(16,987)
Finance – Operating Expenses	2,600	4,352	(1,752)
Lands and Buildings – Salaries & Wages	20,000	29,499	(9,499)
Lands and Buildings – Contractual Services	27,500	49,904	(22,404)
Law Department – Contractual Services	40,000	51,606	(11,606)
Other – Insurance	21,000	24,645	(3,645)
Other – Contractual Services	72,800	82,458	(9,658)
Other – Capital Outlay	2,700	4,885	(2,185)
Non-Governmental – Reimbursements	1,000	1,549	(549)
State Examiner Fees	11,000	12,000	(1,000)
Special Revenue Funds:			
Streets Construction Maintenance and Repair Fund:			
Street Maint./Repair – Overtime	200	3,224	(3,024)
Street Maint./Repair – Capital Outlay	800	2,295	(1,495)
Snow/Ice Removal – Overtime	19,800	22,039	(2,239)
Snow/Ice Removal – Contractual Services	0	3,296	(3,296)
Storm Sewer/Drains – Salaries and Wages	11,700	17,336	(5,636)
Storm Sewer/Drains – Part Time	1,300	1,925	(625)
Storm Sewer/Drains – Contractual Services	1,800	10,114	(8,314)
Storm Sewer/Drains – Operating Expenses	1,000	2,345	(1,345)
Traffic Signs/Signals – Utilities	600	1,581	(981)
Traffic Signs/Signals – Contractual Services	31,100	34,924	(3,824)
Traffic Signs/Signals – Operating Expenses	5,600	7,914	(2,314)
Traffic Signs/Signals – Capital Outlay	0	2,895	(2,895)
Street Cleaning – Operating Expenses	200	6,330	(6,130)
Administrative and Other – Overtime	0	2,427	(2,427)
Administrative and Other – Other Expenses	0	2,936	(2,936)
Administrative and Other – Insurance	8,000	9,242	(1,242)
Administrative and Other – Contractual Services	0	3,892	(3,892)
Administrative and Other – Capital Outlay	3,800	5,833	(2,033)
Law Enforcement Reimbursement Fund:			
Law Enforcement – Operating Expenses	0	3,138	(3,138)

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 3 – Compliance (continued)

A. Expenditures and Encumbrances Exceeded Appropriations (continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
Special Revenue Funds (Continued):			
Confiscated Property Fund:			
Confiscated Property – Operating Expenses	\$0	\$2,000	(\$2,000)
Juvenile Diversion Fund:			
Juvenile Diversion – Operating Expenses	0	2,584	(2,584)
Law Enforcement and Education:			
Law Enforcement and Education – Operating Expenses	0	2,386	(2,386)
G.R.E.A.T Grant – Operating Expenses	0	13,733	(13,733)
Donations:			
Donations – Contractual Services	0	2,500	(2,500)
Donations – Transfer Out	0	2,743	(2,743)
Whitesburg Nature Reserve:			
Whitesburg Nature Reserve – Operating Expenses	0	2,794	(2,794)
Giles Foundation:			
Giles Foundation – Operating Expenses	1,000	5,393	(4,393)
Capital Projects Funds:			
General Permanent Improvement Fund:			
General Permanent – Contractual Services	562,000	596,684	(34,684)
General Permanent – Operating Expenses	0	2,569	(2,569)
General Permanent – Sewer Infiltration Inflow	0	65,967	(65,967)
Enterprise Funds:			
Water Fund:			
Distribution – Part-Time	1,600	3,617	(2,017)
Distribution – Travel and Education	0	594	(594)
Distribution – Contractual Services	12,000	14,943	(2,943)

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 3 – Compliance (continued)

A. Expenditures and Encumbrances Exceeded Appropriations (continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
Enterprise Funds (Continued):			
Water Fund (Continued):			
Distribution – Operating Expenses	\$45,000	\$ 47,189	(\$2,189)
Office Administration – Insurance	12,000	13,863	(1,863)
Office Administration – Contractual Services	3,000	4,198	(1,198)
Supply – Part Time	1,200	1,803	(603)
Supply – Capital Outlay	0	1,001	(1,001)
Non-Governmental Expenditures – Reimbursements	2,000	6,276	(4,276)
Non-Governmental Expenditures – Other	0	1,062	(1,062)
Sewer Fund:			
Office Administration – Insurance	12,000	13,863	(1,863)
Sanitary Sewer – Overtime	1,200	1,884	(684)
Sanitary Sewer – Part Time	4,200	7,747	(3,547)
Treatment – Operating Expenses	70,000	74,388	(4,388)
Internal Service Fund:			
Working Equipment Fund:			
Working Equipment – Overtime	100	652	(552)
Agency Funds:			
Paid/Received as Agent:			
Paid/Received as Agent – Reimbursements	0	7,450	(7,450)

There were several other line items with variances under \$500 in violation of Ohio Revised Code Section 5705.41 (B) & (D) that are not listed. All variances were corrected by December 31, 2005.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 3 – Compliance (continued)

A. Expenditures and Encumbrances Exceeded Appropriations (Continued)

As of September 30, 2006 the following funds had expenditures plus encumbrances in excess of appropriations in violation of Ohio Revised Code Section 5705.41 (B) & (D):

Fund / Account	Annual Appropriations as of September 30, 2006	Expenditures Plus Encumbrances as of September 30, 2006	Variance
General Fund:			
Police Law Enforcement – Part Time	\$152,000	\$156,236	(\$4,236)
Police/Fire Communications – Part Time	25,800	27,567	(1,767)
Police/Fire Communications – Travel & Education	2,500	3,181	(681)
Cemetery – Part Time	9,000	14,281	(5,281)
Cemetery – Contractual Services	1,500	5,988	(4,488)
Parks – Salaries & Wages	26,200	36,272	(10,072)
Parks – Overtime	1,700	4,301	(2,601)
Parks – Part Time	5,300	6,236	(936)
Parks – Contractual Services	34,500	36,072	(1,572)
Parks – Operating Expenses	10,700	12,951	(2,251)
Building Department – Operating Expenses	6,600	7,568	(968)
Refuse Collection/Disposal – Overtime	3,300	5,089	(1,789)
Refuse Collection/Disposal – Operating Expenses	4,500	7,074	(2,574)
Parking – Operating Expenses	1,800	2,370	(570)
Sidewalks – Salaries & Wages	2,200	3,885	(1,685)
Sidewalks – Overtime	100	1,451	(1,351)
Mayor’s Office – Operating Expenses	2,500	3,346	(846)
Council – Operating Expenses	1,200	2,299	(1,099)
Finance – Hospitalization	35,100	36,281	(1,185)
Lands and Buildings – Operating Expenses	27,000	28,269	(1,269)
Law Department – Contractual Services	60,000	68,929	(8,929)
Other – Hospitalization	0	3,426	(3,426)
Other – Worker’s Compensation	46,752	53,717	(6,965)
Other – Fees & Miscellaneous Services	500	5,170	(4,670)
Other – Insurance	23,000	24,000	(1,000)
Special Revenue Funds:			
Streets Construction Maintenance and Repair Fund:			
Street Maint./Repair – Contractual Services	0	956	(956)
Street Maint./Repair – Operating Expenses	5,100	11,806	(6,706)
Storm Sewer/Drains – Contractual Services	2,500	12,281	(9,781)
Traffic Signs/Signals – Contractual Services	35,000	36,434	(1,434)
Traffic Signs/Signals – Operating Expenses	7,400	9,121	(1,721)
Street Cleaning – Working Equipment	2,600	3,319	(719)
Street Cleaning – Contractual Services	5,800	6,500	(700)
Street Cleaning – Operating Expenses	300	1,416	(1,116)
Service Garage – Contractual Services	1,400	4,663	(3,263)
Administrative and Other – Hospitalization	75,300	75,921	(621)
Administrative and Other – Contractual Services	1,200	2,898	(1,698)

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 3 – Compliance (continued)

A. Expenditures and Encumbrances Exceeded Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2006</u>	<u>Expenditures Plus Encumbrances as of September 30, 2006</u>	<u>Variance</u>
Special Revenue Funds (Continued):			
Law Enforcement and Education Fund:			
Law Enforcement and Education– Operating Expenses	\$836	\$1,880	(\$1,044)
Donations Fund:			
Donations – Contractual Services	0	15,000	(15,000)
Juvenile Diversion Fund:			
Juvenile Diversion – Operating Expenses	836	1,880	(1,044)
Capital Projects Funds:			
General Permanent Improvement Fund:			
General Permanent – Contractual Services	202,000	1,770,741	(1,568,741)
General Permanent – Operating Expenses	0	4,322	(4,322)
General Permanent – Capital Outlay	1,713,200	1,949,312	(236,112)
Enterprise Funds:			
Water Fund:			
Office & Administration – Travel & Education	4,000	4,750	(750)
Office & Administration – Contractual Services	1,800	4,508	(2,708)
Supply – Utilities	16,700	22,170	(5,470)
Water Reserve – Capital Outlay	0	15,440	(15,440)
Sewer Fund:			
Office & Administration – Contractual Services	1,500	4,536	(3,036)
Sanitary Sewers – Overtime	1,500	5,000	(3,500)
Sanitary Sewers – Utilities	9,400	10,065	(665)
Sanitary Sewers – Contractual Services	29,900	37,174	(7,274)
Sanitary Sewers – Operating Expenses	8,800	10,587	(1,787)
Treatment – Overtime	17,900	21,129	(3,229)
Treatment – Capital Outlay	2,100	9,903	(7,803)
Other – Reimbursements	1,000	1,686	(686)
Other – Other	0	8,000	(8,000)
Sewer Reserve – Contractual Services	0	81,805	(81,805)
Internal Service Fund:			
Working Equipment Fund:			
Working Equipment – Tires	2,000	4,064	(2,064)

There were several other line items with variances under \$500 in violation of Ohio Revised Code Section 5705.41 (B) & (D) that are not listed. All variances were corrected by December 31, 2006.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 3 – Compliance (continued)

B. Encumbrance of Funds

A review of expenditures in fiscal years 2006 and 2005 disclosed that 51 out of 77 (or \$1,287,512 out of \$6,889,009 reviewed) were not encumbered in accordance with Ohio Revised Code Section 5705.41(D).

Note 4 – Deposits and Investments

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

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

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

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

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

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

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 4 –Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year- end 2006 and 2005, the Village had book balances of \$7,776,109 and \$8,532,568 respectively. Of the Village's 2006 bank balance of \$7,932,764, \$7,232,764 was uninsured and uncollateralized. Of the Village's 2005 bank balance of \$8,491,495, \$7,891,495 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

With respect to custodial risk, the Village follows State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 4 –Deposits and Investments (continued)

Investments

As of December 31, 2006, the Village had the following investments:

Investment Type	Carrying Value	Investment Maturity
FHLB	\$ 255,224	11 Months
FHLMC	286,077	10 Months
FHLMC	250,810	16 Months
FHLMC	399,146	2 Months
Total	<u>\$ 1,191,257</u>	

The weighted average maturity is 12 months.

As of December 31, 2005, the Village had the following investments:

Investment Type	Carrying Value	Investment Maturity
FHLB	\$ 300,000	2 Months
FHLB	250,000	10 Months
FHLMC	242,293	4 Months
FHLMC	481,406	10 Months
Total	<u>\$ 1,273,699</u>	

The weighted average maturity is 8 months.

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

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

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

Concentration of Risk: The Village places no limit on the amount that may be invested in any one issuer. The Village investments in FHLB and FHLMC securities represent 21% and 79% respectively, in 2006. The Village investments in FHLB and FHLMC securities represent 43% and 57% respectively, in 2005.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 5 – Income Taxes

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

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 (2006) represent the collection of 2004 (2005) taxes. Real property taxes received in 2005 (2006) were levied after October 1, 2004 (2005), on the assessed values as of January 1, 2004 (2005), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 property tax receipts received in 2005 (2006) represent the collection of 2004 (2005) taxes. Public utility real and tangible personal property taxes received in 2005 (2006) became a lien on December 31, 2004 (2005), were levied after October 1, 2004 (2005), and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (2006) (other than public utility property) represent the collection of 2005 (2006) taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004 (2005), on the true value as of December 31, 2004 (2005). Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005 (2006), was \$11.50 (\$11.20) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 (2006) property tax receipts were based are as follows:

	<u>2006</u>		<u>2005</u>
Real Property		Real Property	
Residential/Agricultural	\$145,896,140	Residential/Agricultural	\$129,531,690
Commercial/Industrial/Mineral	32,370,880	Commercial/Industrial/Mineral	30,967,370
Tangible Personal Property		Tangible Personal Property	
Public Utility	1,823,910	Public Utility	1,869,000
Business	3,496,123	Business	4,523,589
Total Assessed Value	\$183,587,053	Total Assessed Value	\$166,891,649

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 7- Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.43 percent of covered payroll. The Village contributes 8.5 percent of the employees member share. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were members in law enforcement contributed 10.1 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$189,737 \$172,246 and \$182,608 respectively; 100 percent has been contributed for 2006, 2005 and 2004.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 7- Defined Benefit Pension Plans (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's contributions to the Fund for police was \$78,717 for the year ended December 31, 2006, \$81,519 for the year ended December 31, 2005 and \$80,867 and for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 100 percent has been contributed for 2006.

Note 8 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$92,806. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 8 – Postemployment Benefits (Continued)

A. Ohio Public Employees Retirement System (Continued)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits were \$51,920 for police. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 9 - Debt

The Village's long-term debt activity for the years ended December 31, 2005 and December 31, 2006, was as follows:

<u>December 31, 2005</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Amount of Original Issuance</u>	<u>Debt Outstanding 1/1/2005</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2005</u>	<u>Due Within One Year</u>
OPWC Loans	1998	0%	\$282,274	\$197,592	\$0	\$14,114	\$183,478	\$14,114
OPWC Loans	2003	0%	106,500	101,175	0	5,325	95,850	5,325
Advance Refunding G. O. Bonds	1991	0%	4,000,000	2,145,000	0	215,000	1,930,000	235,000
Miles Road Sewers (S/A)	1988	7.625%	260,000	85,000	0	20,000	65,000	20,000
Hickory Hill Sewers (S/A)	1992	6.030%	250,000	135,000	0	15,000	120,000	15,000
G. O. Streetscape Bonds	2003	2-4.625%	2,400,000	2,285,000	0	135,000	2,150,000	140,000
OPWC Loans	2004	0%	258,000	251,550	0	12,900	238,650	12,900
Total				\$5,200,317	\$0	\$417,339	\$4,782,978	\$442,339

<u>December 31, 2006</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Amount of Original Issuance</u>	<u>Debt Outstanding 1/1/2006</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2006</u>	<u>Due Within One Year</u>
OPWC Loans	1998	0%	\$282,274	\$183,478	\$0	\$14,114	\$169,364	\$14,114
OPWC Loans	2003	0%	106,500	95,850	0	5,325	90,525	5,325
Advance Refunding G. O. Bonds	1998	0%	4,000,000	1,930,000	0	235,000	1,695,000	240,000
Miles Road Sewers (S/A)	1988	7.625%	260,000	65,000	0	20,000	45,000	20,000
Hickory Hill Sewers (S/A)	1992	6.030%	250,000	120,000	0	15,000	105,000	15,000
G. O. Streetscape Bonds	2003	2-4.625%	2,400,000	2,150,000	0	140,000	2,010,000	140,000
OPWC Loans	2004	0%	258,000	238,650	0	12,900	225,750	12,900
Total				\$4,782,978	\$0	\$442,339	\$4,340,639	\$447,339

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 9 – Debt (continued)

The Ohio Public Works Commission (OPWC) loans relate to road and sewer rehabilitation projects. These loans are interest free. The 1998 OPWC loan was for \$282,274 and will be repaid in semiannual installments of \$7,057 over 20 years. The 2003 OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. The 2004 OPWC loan was for \$258,000 and will be repaid in semiannual installments of \$6,450 over 20 years. The 1998 Advance Refunding General Obligation Bonds were used for improvements to the Village wastewater treatment plant. The 1988 and 1992 Special Assessment bonds were used for sanitary sewer improvements. The 2003 General Obligation Bonds are being used for the streetscape capital improvement project. In 2005 and 2006, the Village received \$61,264 and \$65,736 respectively for a road project. This project was not completed as of December 31, 2006 and OPWC has not finalized the loan repayment schedule nor is payment due until the completion of the project. The Village will include this OPWC loan in the above schedule when the project and loan are finalized.

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

Year	2003 G.O. Bonds		OPWC Loans		1998 Advanced Refunded G.O. Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$140,000	\$81,700	\$32,339	\$0	\$240,000	\$108,480
2008	145,000	78,200	32,339	0	255,000	93,120
2009	150,000	73,850	32,339	0	275,000	76,800
2010	150,000	68,976	32,339	0	290,000	59,200
2011	155,000	63,572	32,339	0	310,000	40,640
2012-2016	870,000	214,763	161,694	0	325,000	20,800
2017-2021	400,000	27,946	126,409	0		
2022-2026			35,841	0		
Total	\$2,010,000	\$609,007	\$485,639	\$0	\$1,695,000	\$399,040

Year	S.A. Miles Road		S.A. Hickory Road		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$20,000	\$3,431	\$15,000	\$6,562	\$447,339	\$200,173
2008	25,000	1,906	15,000	5,626	472,339	178,852
2009			15,000	4,688	472,339	155,338
2010			20,000	3,750	492,339	131,926
2011			20,000	2,500	517,339	106,712
2012-2016			20,000	1,250	1,376,694	236,813
2017-2021					526,409	27,946
2022-2026					35,841	0
Total	\$45,000	\$5,337	\$105,000	\$24,376	\$4,340,639	\$1,037,760

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$12,921,000 and an unvoted debt margin of \$1,835,871. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$11,058,457 and an unvoted debt margin of \$1,668,916.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 9 – Debt (continued)

The Village has defeased certain debt issues by placing cash with a trustee in an amount sufficient to pay all debt principal and interest payments when they come due. The principal amount of the defeased debt outstanding at December 31, 2006 was \$505,000. The cash and investments held by the trustee are not included in the Village's assets nor are the outstanding bonds included above.

Note 10 – Interfund Transfers

During 2006 and 2005 the Village transferred \$100,000 from the General Fund to the Street Construction Maintenance and Repair Fund in accordance with budgetary authorizations.

Also, in 2006 and 2005 the Village transferred \$20,000 from the Street, Construction, Maintenance and Repair Fund to the General Permanent Improvement Fund in accordance with budgetary authorizations and for the future road repairs of the Old Route 422.

Note 11 – Contingent Liabilities

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

Note 12 – Joint Venture

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

Note 13 – Jointly Governed Organization

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2006. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and DECEMBER 31, 2005
(CONTINUED)

Note 14 – Public Entity Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Villages of Chagrin Falls and Hudson for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must commit to the joint venture for terms of three years. Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the municipalities' percentage of contributions. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual members to make additional supplementary payments up to a maximum of the regular annual payment.

For the years ended December 31, 2006 and December 31, 2005, the Village paid \$46,723 and \$45,103, respectively, in premiums to NORMA. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5561 Perkins Road, Bedford Heights, Ohio 44146.

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

Note 15 – Engineering Services

The Village contracted with CT Consultants. to provide services in connection with the construction of public improvements. The Village Engineer is an employee of CT Consultants. The Village paid \$488,382.64 and \$352,020.76 during 2005 and 2006, respectively.

Note 16 – Risk Management

A. Property and Liability

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

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

B. Worker's Compensation

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

This page intentionally left blank.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	75396	20.205	<u>\$1,009,600</u>
Total U.S. Department of Transportation:			<u>1,009,600</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Program:</i>			
Gang Resistance Education and Training	2004JVFX0030	16.737	<u>27,470</u>
Total U.S. Department of Justice:			<u>27,470</u>
Total Federal Assistance			<u><u>\$1,037,070</u></u>

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 11, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We did note a certain noncompliance matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 11, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 11, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Chagrin Falls, Cuyahoga County, Ohio (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Chagrin Falls complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as Finding 2006-003.

Internal Control over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2006-003 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We did not consider the deficiency described in the accompanying schedule of findings to be a material weakness.

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

We intend this report solely for the information and use of the audit committee, management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 11, 2007

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Construction and Planning CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2006-001

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. Budgetary expenditures as enacted by the Village may not exceed appropriations at the legal level of control for all funds.

During our testing, we noted the following funds had expenditures plus encumbrances exceeding appropriations as of September 30, 2005:

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
General Fund:			
Police Law Enforcement – Overtime	\$35,200	\$35,875	(\$675)
Fire Fighting – Unemployment and Workers' Comp.	3,800	5,157	(1,357)
Fire Fighting – Travel and Education	4,000	5,386	(1,386)
Police/Fire Communications – Utilities	12,200	13,017	(817)
Police/Fire Communications – Contractual Services	78,500	87,323	(8,823)
Police/Fire Communications – Operating Expenses	2,000	20,895	(18,895)
Cemetery – Part Time	7,400	7,933	(533)
Ambulance – Ambulance Fees and Misc. Services	218,500	383,499	(164,999)
Parks – Utilities	3,400	6,078	(2,678)
Parks – Contractual Services	2,700	4,159	(1,459)
Planning and Zoning – Contractual Services	39,500	42,325	(2,845)
Forestry – Contractual Services	65,000	77,802	(12,802)
Refuse Collection/Disposal – Overtime	1,600	2,544	(944)
Parking – Operating Expenses	1,400	6,174	(4,774)
Court – Salaries & Wages	2,200	8,258	(6,058)
Finance – Contractual Services	32,800	49,787	(16,987)
Finance – Operating Expenses	2,600	4,352	(1,752)
Lands and Buildings – Salaries & Wages	20,000	29,499	(9,499)
Lands and Buildings – Contractual Services	27,500	49,904	(22,404)
Law Department – Contractual Services	40,000	51,606	(11,606)
State Examiner Fees	11,000	12,000	(1,000)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
General Fund (Continued):			
Other – Insurance	\$21,000	\$24,645	(\$3,645)
Other – Contractual Services	72,800	82,458	(9,658)
Other – Capital Outlay	2,700	4,885	(2,185)
Non-Governmental – Reimbursements	1,000	1,549	(549)
Special Revenue Funds:			
Streets Construction Maintenance and Repair Fund:			
Street Maint./Repair – Overtime	200	3,224	(3,024)
Street Maint./Repair – Capital Outlay	800	2,295	(1,495)
Snow/Ice Removal – Overtime	19,800	22,039	(2,239)
Snow/Ice Removal – Contractual Services	0	3,296	(3,296)
Storm Sewer/Drains – Salaries and Wages	11,700	17,336	(5,636)
Storm Sewer/Drains – Part Time	1,300	1,925	(625)
Storm Sewer/Drains – Contractual Services	1,800	10,114	(8,314)
Storm Sewer/Drains – Operating Expenses	1,000	2,345	(1,345)
Traffic Signs/Signals – Utilities	600	1,581	(981)
Traffic Signs/Signals – Contractual Services	31,100	34,924	(3,824)
Traffic Signs/Signals – Operating Expenses	5,600	7,914	(2,314)
Traffic Signs/Signals – Capital Outlay	0	2,895	(2,895)
Street Cleaning – Operating Expenses	200	6,330	(6,130)
Administrative and Other – Overtime	0	2,427	(2,427)
Administrative and Other – Other Expenses	0	2,936	(2,936)

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

Fund / Account	Annual Appropriations as of September 30, 2005	Expenditures Plus Encumbrances as of September 30, 2005	Variance
Special Revenue Funds (Continued):			
Street Construction Maintenance Repair Fund (Continued):			
Administrative and Other – Insurance	\$8,000	\$9,242	(\$1,242)
Administrative and Other – Contractual Services	0	3,892	(3,892)
Administrative and Other – Capital Outlay	3,800	5,833	(2,033)
Law Enforcement Reimbursement Fund:			
Law Enforcement – Operating Expenses	0	3,138	(3,138)
Confiscated Property Fund:			
Confiscated Property – Operating Expenses	0	2,000	(2,000)
Juvenile Diversion Fund:			
Juvenile Diversion – Other Expenses	0	2,584	(2,584)
Law Enforcement and Education:			
Law Enforcement and Education – Operating Expenses	0	2,386	(2,386)
G.R.E.A.T Grant – Operating Expenses	0	13,733	(13,733)
Donations:			
Donations – Contractual Services	0	2,500	(2,500)
Donations – Transfer Out	0	2,743	(2,743)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
Special Revenue Funds (Continued):			
Whitesburg Nature Reserve:			
Whitesburg Nature Reserve – Operating Expenses	\$0	\$2,794	(\$2,794)
Giles Foundation:			
Giles Foundation – Operating Expenses	1,000	5,393	(4,393)
Capital Projects Funds:			
General Permanent Improvement Fund:			
General Permanent – Contractual Services	562,000	596,684	(34,684)
General Permanent – Operating Expenses	0	2,569	(2,569)
General Permanent – Sewer Infiltration Inflow	0	65,967	(65,967)
Enterprise Funds:			
Water Fund:			
Distribution – Part-Time	1,600	3,617	(2,017)
Distribution – Travel and Education	0	594	(594)
Distribution – Contractual Services	12,000	14,943	(2,943)
Distribution – Operating Expenses	45,000	47,189	(2,189)
Office Administration – Insurance	12,000	13,863	(1,863)
Office Administration – Contractual Services	3,000	4,198	(1,198)
Supply – Part Time	1,200	1,803	(603)
Supply – Capital Outlay	0	1,001	(1,001)
Non-Governmental Expenditures – Reimbursements	2,000	6,276	(4,276)
Non-Governmental Expenditures – Other	0	1,062	(1,062)

VILLAGE OF CHAGRIN FALLS
 CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2006 AND DECEMBER 31, 2005
 (Continued)

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2005</u>	<u>Expenditures Plus Encumbrances as of September 30, 2005</u>	<u>Variance</u>
Enterprise Funds (Continued):			
Sewer Fund:			
Office Administration – Insurance	\$12,000	\$13,863	(\$1,863)
Sanitary Sewer – Overtime	1,200	1,884	(684)
Sanitary Sewer – Part Time	4,200	7,747	(3,547)
Treatment – Operating Expenses	70,000	74,388	(4,388)
Internal Service Fund:			
Working Equipment Fund:			
Working Equipment – Overtime	100	652	(552)
Agency Funds:			
Paid/Received as Agent:			
Paid/Received as Agent – Reimbursements	0	7,450	(7,450)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

During our testing, we noted the following funds had expenditures exceeding appropriations as of September 30, 2006:

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2006</u>	<u>Expenditures Plus Encumbrances as of September 30, 2006</u>	<u>Variance</u>
General Fund:	\$152,000	\$156,236	(\$4,236)
Police Law Enforcement – Part Time			
Police/Fire Communications – Part Time	25,800	27,567	(1,767)
Police/Fire Communications – Travel & Education	2,500	3,181	(681)
Cemetery – Part Time	9,000	14,281	(5,281)
Cemetery – Contractual Services	1,500	5,988	(4,488)
Parks – Salaries & Wages	26,200	36,272	(10,072)
Parks – Overtime	1,700	4,301	(2,601)
Parks – Part Time	5,300	6,236	(936)
Parks – Contractual Services	34,500	36,072	(1,572)
Parks – Operating Expenses	10,700	12,951	(2,251)
Building Department – Operating Expenses	6,600	7,568	(968)
Refuse Collection/Disposal – Overtime	3,300	5,089	(1,789)
Refuse Collection/Disposal – Operating Expenses	4,500	7,074	(2,574)
Parking – Operating Expenses	1,800	2,370	(570)
Sidewalks – Salaries & Wages	2,200	3,885	(1,685)
Sidewalks – Overtime	100	1,451	(1,351)
Mayor’s Office – Operating Expenses	2,500	3,346	(846)
Council – Operating Expenses	1,200	2,299	(1,099)
Finance – Hospitalization	35,100	36,281	(1,185)
Lands and Buildings – Operating Expenses	27,000	28,269	(1,269)
Law Department – Contractual Services	60,000	68,929	(8,929)
Other – Hospitalization	0	3,426	(3,426)
Other – Worker’s Compensation	46,752	53,717	(6,965)
Other – Fees & Miscellaneous Services	500	5,170	(4,670)
Other – Insurance	23,000	24,000	(1,000)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2006</u>	<u>Expenditures Plus Encumbrances as of September 30, 2006</u>	<u>Variance</u>
Special Revenue Funds:			
Streets Construction Maintenance and Repair Fund:			
Street Maint./Repair – Contractual Services	\$0	\$956	(\$956)
Street Maint./Repair – Operating Expenses	5,100	11,806	(6,706)
Storm Sewer/Drains – Contractual Services	2,500	12,281	(9,781)
Traffic Signs/Signals – Contractual Services	35,000	36,434	(1,434)
Traffic Signs/Signals – Operating Expenses	7,400	9,121	(1,721)
Street Cleaning – Working Equipment	2,600	3,319	(719)
Street Cleaning – Contractual Services	5,800	6,500	(700)
Street Cleaning – Operating Expenses	300	1,416	(1,116)
Service Garage – Contractual Services	1,400	4,663	(3,263)
Administrative and Other – Hospitalization	75,300	75,921	(621)
Administrative and Other – Contractual Services	1,200	2,898	(1,698)
Law Enforcement and Education Fund:			
Law Enforcement and Education– Operating Expenses	836	1,880	(1,044)
Donations Fund:			
Donations – Contractual Services	0	15,000	(15,000)
Juvenile Diversion Fund:			
Juvenile Diversion – Other Expenses	836	1,880	(1,044)

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

<u>Fund / Account</u>	<u>Annual Appropriations as of September 30, 2006</u>	<u>Expenditures Plus Encumbrances as of September 30, 2006</u>	<u>Variance</u>
Capital Projects Funds:			
General Permanent Improvement Fund:			
General Permanent – Contractual Services	\$202,000	\$1,770,741	(\$1,568,741)
General Permanent – Operating Expenses	0	4,322	(4,322)
General Permanent – Capital Outlay	1,713,200	1,949,312	(236,112)
Enterprise Funds:			
Water Fund:			
Office & Administration – Travel & Education	4,000	4,750	(750)
Office & Administration – Contractual Services	1,800	4,508	(2,708)
Supply – Utilities	16,700	22,170	(5,470)
Water Reserve – Capital Outlay	0	15,440	(15,440)
Sewer Fund:			
Office & Administration – Contractual Services	1,500	4,536	(3,036)
Sanitary Sewers – Overtime	1,500	5,000	(3,500)
Sanitary Sewers – Utilities	9,400	10,065	(665)
Sanitary Sewers – Contractual Services	29,900	37,174	(7,274)
Sanitary Sewers – Operating Expenses	8,800	10,587	(1,787)
Treatment – Overtime	17,900	21,129	(3,229)
Treatment – Capital Outlay	2,100	9,903	(7,803)
Other – Reimbursements	1,000	1,686	(686)
Other – Other	0	8,000	(8,000)
Sewer Reserve – Contractual Services	0	81,805	(81,805)
Internal Service Fund:			
Working Equipment Fund:			
Working Equipment – Tires	2,000	4,064	(2,064)

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation, Significant Deficiency and Material Weakness

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

In addition, there were several other line items with variances under \$500 in violation of Ohio Revised Code Section 5705.41 (B) that are not listed. All variances were corrected by December 31, 2006 and December 31, 2005. We also noted during our testing that the Village did not pass its final appropriations measure until after December 31, 2006 and December 31, 2005.

We recommend the Village expend only those monies which have been properly appropriated and approve its final appropriations before the end of the fiscal year. We also recommend the Village adopt policies to periodically review approved appropriations and expenditures.

MANAGEMENT'S RESPONSE:

The Village management will monitor expenditures and appropriations throughout the year to ensure compliance with the above section of the Ohio Revised Code.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Purchase Order Certification

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

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

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

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

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)

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

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation and Significant Deficiency

Purchase Order Certification (Continued)

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

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

A review of expenditures disclosed that 51 out of 77 transactions reviewed (or \$1,287,512 out of \$6,889,009 reviewed) were not encumbered prior to the purchase commitment. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

MANAGEMENT’S RESPONSE:

The Village Finance Director will work closely with all department heads to make sure all purchase orders are filed in accordance with the above Ohio Revised Code section.

VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2006-003

Finding Number	2006-003
CFDA Title and Number	Highway Planning & Construction 20.205
Federal Award Number / Year	75396/2005
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

FEDERAL AUDIT

Noncompliance Citation and Significant Deficiency

OMB Circular A-133 Section 300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB Circular A-133 Section 320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after the end of the audit period unless a longer period is agreed upon in advance by the cognizant or oversight agency.

No evidence was provided that the Village had notified the cognizant or oversight agency when it became apparent that an audit report and data collection form would not be available within the prescribed reporting time.

We recommend diligent care be taken to ensure proper submission of audit report filings or notification to the oversight agency.

MANAGEMENT'S RESPONSE:

The Village Finance Director will monitor the federal expenditures and notify the proper agencies if federal expenditures exceed \$500,000 in any fiscal year.

**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 5705.41 (B) – Expenditures plus Encumbrances Exceeding Appropriations	No	Re-issued as finding 2006-001
2004-002	Ohio Revised Code Section 5705.39 – Appropriations Exceeding Estimated Resources	Yes	Corrected
2004-003	Ohio Revised Code Section 5705.41 (D)(1) – Purchase Order Certification	No	Re-issued as finding 2006-002



Mary Taylor, CPA
Auditor of State

VILLAGE OF CHAGRIN FALLS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**