



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
DECEMBER 31, 2022 AND 2021**

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**VILLAGE OF CHAGRIN FALLS
CUYAHOGA COUNTY
DECEMBER 31, 2022 AND 2021**

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OHIO AUDITOR OF STATE

KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2022 and 2021, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General and Street Construction Maintenance and Repair Funds for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 18 to the 2022 financial statements and Note 19 to the 2021 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

Village of Chagrin Falls
Cuyahoga County
Independent Auditor's Report
Page 3

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 27, 2024

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Village of Chagrin Falls

Statement of Net Position – Cash Basis

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 10,759,445	\$ 2,722,894	\$ 13,482,339
Total assets	<u>\$ 10,759,445</u>	<u>\$ 2,722,894</u>	<u>\$ 13,482,339</u>
Net position:			
Restricted for:			
Debt service	\$ 11,502	\$ -	\$ 11,502
Capital projects	1,403,482	-	1,403,482
Permanent fund purposes:			
Expendable	9,874	-	9,874
Nonexpendable	16,082	-	16,082
Other purposes	846,131	-	846,131
Unrestricted	<u>8,472,374</u>	<u>2,722,894</u>	<u>11,195,268</u>
Total net position	<u>\$ 10,759,445</u>	<u>\$ 2,722,894</u>	<u>\$ 13,482,339</u>

Village of Chagrin Falls

Statement of Activities – Cash Basis

For the Year Ended December 31, 2022

	Cash Disbursements	Program Revenues	
		Charges for Services Activities	Capital Grants and Special Assessments
Governmental activities:			
General government	\$ 2,494,412	\$ 772,367	\$ -
Security of persons and property	3,190,784	97,767	-
Public health services	768,006	100,680	-
Leisure time activities	168,617	-	-
Community development	367,599	-	-
Basic utilities	347,579	-	-
Transportation	3,042,108	-	586,070
Principal retirement	212,928	-	-
Interest and fiscal charges	25,417	-	-
Total governmental activities	10,617,450	970,814	586,070

Business-type activities:

Water	1,893,617	1,962,059	1,505
Sewer	3,142,382	1,699,673	28,676
Total business-type activities	5,035,999	3,661,732	30,181
Total	\$ 15,653,449	\$ 4,632,546	\$ 616,251

General receipts:

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

Change in net position before transfers

Transfers

Change in net position after transfers

Net position, beginning of year, restated (Note 19)

Net position, end of year

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,722,045)	\$ -	\$ (1,722,045)
(3,093,017)	-	(3,093,017)
(667,326)	-	(667,326)
(168,617)	-	(168,617)
(367,599)	-	(367,599)
(347,579)	-	(347,579)
(2,456,038)	-	(2,456,038)
(212,928)	-	(212,928)
(25,417)	-	(25,417)
<u>(9,060,566)</u>	<u>-</u>	<u>(9,060,566)</u>
-	69,947	69,947
-	(1,414,033)	(1,414,033)
<u>-</u>	<u>(1,344,086)</u>	<u>(1,344,086)</u>
<u>(9,060,566)</u>	<u>(1,344,086)</u>	<u>(10,404,652)</u>
1,569,800	-	1,569,800
7,945,997	-	7,945,997
887,965	-	887,965
-	717,648	717,648
51,434	-	51,434
180,821	10,776	191,597
<u>10,636,017</u>	<u>728,424</u>	<u>11,364,441</u>
1,575,451	(615,662)	959,789
<u>(595,114)</u>	<u>595,114</u>	<u>-</u>
980,337	(20,548)	959,789
<u>9,779,108</u>	<u>2,743,442</u>	<u>12,522,550</u>
<u>\$ 10,759,445</u>	<u>\$ 2,722,894</u>	<u>\$ 13,482,339</u>

Village of Chagrin Falls

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

December 31, 2022

	General	Construction Maintenance and Repair	General Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 8,166,312	\$ -	\$ 1,403,482	\$ 759,029	\$ 10,328,823
Due from other funds	1,189,219	-	-	-	1,189,219
Total assets	\$ 9,355,531	\$ -	\$ 1,403,482	\$ 759,029	\$ 11,518,042
Liabilities					
Due to other funds	\$ -	\$ 1,189,219	\$ -	\$ -	\$ 1,189,219
Total liabilities	\$ -	\$ 1,189,219	\$ -	\$ -	\$ 1,189,219
Fund balances					
Nonspendable	-	-	-	16,082	16,082
Restricted	-	-	563,000	662,425	1,225,425
Committed	-	-	-	80,522	80,522
Assigned	989,253	-	840,482	-	1,829,735
Unassigned	8,366,278	(1,189,219)	-	-	7,177,059
Total fund balances	\$ 9,355,531	\$ (1,189,219)	\$ 1,403,482	\$ 759,029	\$ 10,328,823
Total liabilities and fund balances	\$ 9,355,531	\$ -	\$ 1,403,482	\$ 759,029	\$ 11,518,042

Village of Chagrin Falls

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

December 31, 2022

Total governmental fund balances	\$ 10,328,823
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Amounts reported for governmental activities in the Statement of Net Position – Cash Basis are different because:

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

Net position	\$ 538,278
Internal balances	<u>(107,656)</u>
	<u>430,622</u>

Net position of governmental activities	\$ <u>10,759,445</u>
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Village of Chagrin Falls

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

For the Year Ended December 31, 2022

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and other local taxes	\$ 1,501,273	\$ -	\$ -	\$ 68,527	\$ 1,569,800
Municipal income taxes	6,436,258	-	1,509,739	-	7,945,997
Special assessments	-	-	3,070	-	3,070
Charges for services	664,292	-	-	16,207	680,499
Fines, licenses and permits	145,178	-	-	-	145,178
Intergovernmental	320,553	360,116	563,000	227,296	1,470,965
Earnings on investments	43,780	-	-	154	43,934
Miscellaneous	60,956	8,350	105,000	51,164	225,470
Total receipts	9,172,290	368,466	2,180,809	363,348	12,084,913
Disbursements:					
Current:					
General government	1,983,455	-	-	39,674	2,023,129
Security of persons and property	2,948,745	-	-	79,823	3,028,568
Public health services	716,556	-	-	-	716,556
Leisure time activities	168,617	-	-	-	168,617
Community development	367,599	-	-	-	367,599
Basic utilities	347,579	-	-	-	347,579
Transportation	136,263	1,003,770	-	-	1,140,033
Capital outlay	220,542	75,266	2,253,047	-	2,548,855
Debt service:					
Principal retirement	-	-	212,928	-	212,928
Interest and fiscal charges	-	-	25,353	64	25,417
Total disbursements	6,889,356	1,079,036	2,491,328	119,561	10,579,281
Excess of receipts over (under) disbursements	2,282,934	(710,570)	(310,519)	243,787	1,505,632
Other financing sources (uses):					
Other financing uses	(1,669)	-	-	(36,500)	(38,169)
Transfers in	-	590,000	-	-	590,000
Transfers out	(1,185,114)	-	-	-	(1,185,114)
Total other financing sources (uses)	(1,186,783)	590,000	-	(36,500)	(633,283)
Net change in fund balances	1,096,151	(120,570)	(310,519)	207,287	872,349
Fund balances, beginning of year restated, see Note 19	8,259,380	(1,068,649)	1,714,001	551,742	9,456,474
Fund balances, end of year	\$ 9,355,531	\$ (1,189,219)	\$ 1,403,482	\$ 759,029	\$ 10,328,823

Village of Chagrin Falls

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

For the Year Ended December 31, 2022

Net change in fund balances - total governmental funds	\$	872,349
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Amounts reported for governmental activities in the Statement of Activities – Cash Basis are different because:

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

Change in net position	\$	134,984
Internal balances		<u>(26,996)</u>
		<u>107,988</u>

Change in net position of governmental activities	\$	<u>980,337</u>
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Village of Chagrin Falls

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

For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts:				
Property and other local taxes	\$ 1,631,665	\$ 1,631,665	\$ 1,501,273	\$ (130,392)
Municipal income taxes	4,162,943	6,261,227	6,436,258	175,031
Intergovernmental	148,719	223,680	320,553	96,873
Charges for services	433,326	651,739	664,292	12,553
Fines, licenses and permits	94,702	142,434	145,178	2,744
Earnings on investments	24,596	36,993	37,706	713
Miscellaneous	8,357	12,570	34,280	21,710
Total receipts	6,504,308	8,960,308	9,139,540	179,232
Disbursements:				
Current:				
General government	1,705,700	1,983,900	1,983,455	445
Security of persons and property	3,181,500	3,170,000	2,943,791	226,209
Public health services	740,000	873,000	716,556	156,444
Leisure time activities	217,300	215,000	168,617	46,383
Community development	415,700	448,000	367,599	80,401
Basic utilities	388,450	415,000	347,579	67,421
Transportation	202,000	155,000	136,263	18,737
Capital outlay	300,200	258,000	220,542	37,458
Total disbursements	7,150,850	7,517,900	6,884,402	633,498
Excess of receipts (under) over disbursements	(646,542)	1,442,408	2,255,138	812,730
Other financing uses:				
Transfers out	(1,000,000)	(1,185,114)	(1,185,114)	-
Other financing uses	-	-	(1,669)	(1,669)
Total other financing uses	(1,000,000)	(1,185,114)	(1,186,783)	(1,669)
Net change in fund balance	(1,646,542)	257,294	1,068,355	811,061
Fund balance, beginning of year	8,162,616	8,162,616	8,162,616	-
Fund balance, end of year	\$ 6,516,074	\$ 8,419,910	\$ 9,230,971	\$ 811,061

Village of Chagrin Falls

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

For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts:				
Intergovernmental	\$ 187,861	\$ 359,189	\$ 360,116	\$ 927
Miscellaneous	4,356	8,329	8,350	21
Total receipts	<u>192,217</u>	<u>367,518</u>	<u>368,466</u>	<u>948</u>
Disbursements:				
Current:				
Transportation	1,071,458	1,121,878	1,003,770	118,108
Capital outlay	80,342	84,122	75,266	8,856
Total disbursements	<u>1,151,800</u>	<u>1,206,000</u>	<u>1,079,036</u>	<u>126,964</u>
Excess of receipts (under) over disbursements	(959,583)	(838,482)	(710,570)	127,912
Other financing sources:				
Transfers in	<u>307,783</u>	<u>588,482</u>	<u>590,000</u>	<u>1,518</u>
Net change in fund balance	(651,800)	(250,000)	(120,570)	129,430
Fund balance, beginning of year	<u>(1,068,649)</u>	<u>(1,068,649)</u>	<u>(1,068,649)</u>	-
Fund balance, end of year	<u>\$ (1,720,449)</u>	<u>\$ (1,318,649)</u>	<u>\$ (1,189,219)</u>	<u>\$ 129,430</u>

Village of Chagrin Falls

Statement of Fund Net Position – Cash Basis Proprietary Funds

December 31, 2022

	Business-Type Activities			Governmental
	Water	Sanitary	Total Enterprise	Activity
		Sewer	Funds	Internal Service
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,405,853	\$ 1,209,385	\$ 2,615,238	\$ 538,278
Total assets	<u>1,405,853</u>	<u>1,209,385</u>	<u>2,615,238</u>	<u>538,278</u>
Net position:				
Unrestricted	1,405,853	1,209,385	2,615,238	538,278
	<u>1,405,853</u>	<u>1,209,385</u>	<u>2,615,238</u>	<u>538,278</u>
Net position reported for business-type activities in the Statement of Net Position – Cash Basis are different because their share of internal service fund assets and liabilities are included.			107,656	
Net position of business-type activities			\$ 2,722,894	
			<u>2,722,894</u>	

Village of Chagrin Falls

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

For the Year Ended December 31, 2022

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity
				Internal Service
Operating receipts:				
Charges for services	\$ 1,922,995	\$ 1,692,631	\$ 3,615,626	\$ 572,005
Intergovernmental	1,505	28,676	30,181	-
Miscellaneous	44,452	12,430	56,882	-
Total operating receipts	<u>1,968,952</u>	<u>1,733,737</u>	<u>3,702,689</u>	<u>572,005</u>
Operating disbursements:				
Personal services	462,863	948,409	1,411,272	60,626
Contractual services	1,065,250	1,295,052	2,360,302	60,213
Materials and supplies	38,606	187,282	225,888	188,542
Other	2,758	8,530	11,288	-
Total operating disbursements	<u>1,569,477</u>	<u>2,439,273</u>	<u>4,008,750</u>	<u>309,381</u>
Operating income (loss)	<u>399,475</u>	<u>(705,536)</u>	<u>(306,061)</u>	<u>262,624</u>
Non-operating receipts (disbursements):				
Loan proceeds	-	717,648	717,648	-
Interest and fiscal charges	(14,238)	(9,569)	(23,807)	-
Principal retirement	(102,766)	(359,758)	(462,524)	-
Capital outlay	(220,634)	(347,280)	(567,914)	(127,640)
Transfers in	95,114	500,000	595,114	-
Total non-operating (disbursements) receipts	<u>(242,524)</u>	<u>501,041</u>	<u>258,517</u>	<u>(127,640)</u>
Change in net position	156,951	(204,495)	(47,544)	134,984
Net position, beginning of year restated, see Note 19	<u>1,248,902</u>	<u>1,413,880</u>		<u>403,294</u>
Net position, end of year	<u>\$ 1,405,853</u>	<u>\$ 1,209,385</u>		<u>\$ 538,278</u>
Some amounts reported for business-type activities in the Statement of Activities are different because their share of the change in internal service fund net position is included.				
			26,996	
Change in net position of business-type activities			<u>\$ (20,548)</u>	

Village of Chagrin Falls

Statement of Fiduciary Net Position – Cash Basis
Fiduciary Fund

December 31, 2022

Custodial

Assets:

Equity in pooled cash and cash equivalents	\$ <u>42,062</u>
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Net position:

Restricted	\$ <u>42,062</u>
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Village of Chagrin Falls

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

For the Year Ended December 31, 2022

	<u>Custodial</u>
Additions:	
Intergovernmental	\$ 10,972
Miscellaneous	22,417
Total additions	<u>33,389</u>
Deductions:	
Other distributions	<u>5,270</u>
Change in net position	28,119
Net position, beginning of year	<u>13,943</u>
Net position, end of year	<u>\$ 42,062</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 1: Reporting Entity

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

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

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

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

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

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

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds (continued)

The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for amounts collected and distributed on behalf of another government or organization. The Village maintains one custodial fund, the paid/received as agent fund. The paid/received as agent fund is used to account for State waiver transactions handled by the Village. Additionally, this fund accounts for the Village of Moreland Hills' hydrant maintenance assessment. The assessment is collected by the Village of Chagrin Falls through the submission of water bills to the residents of Moreland Hills.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

E. Cash and Investments

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

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

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

During 2022, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2022 were \$43,780.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

M. Leases

For 2022, GASB Statement No. 87, *Leases* was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The Village is the lessor/lessee (as defined by GASB 87) in various leases related to property and other equipment under noncancelable leases. Lease receivables/payables are not reflected under the Village's modified cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid.

N. Net Position

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

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

O. Fund Balance

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

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

O. Fund Balance (continued)

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State statute. State statute authorizes the Village to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

P. Internal Activity

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

P. Internal Activity (continued)

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

Q. Estimates

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

Note 3: Budgetary Basis of Accounting

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

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2022 are as follows:

	<u>Net Change in Fund Balances</u>	
	Street Construction	Maintenance
	General	and Repair
Cash basis	\$ 1,096,151	\$ (120,570)
Adjustment due to:		
Activity of funds reclassified		
for cash reporting purposes	(27,796)	-
Budgetary basis	\$ 1,057,057	\$ (120,570)

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 4: Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 4: Deposits and Investments (continued)

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2022, the Village had a book balance of \$12,570,521. Of the Village's bank balance of \$12,686,994, \$3,394,223 was uninsured and uncollateralized. All of the Village's financial institutions participate in the Ohio Pooled Collateral System (OPCS). Two institutions were approved for a reduced collateral floor of 50% and one institutions was approved for a reduced collateral floor of 60% resulting in the uninsured and uncollateralized balance.

The Village follows the requirements of State statute for custodial credit risk. Ohio law requires that deposits be either insured or protected by:

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 4: Deposits and Investments (continued)

Investments

The fair value of these investments is not materially different from measurement value. As of December 31, 2022, the Village had the following investments:

	Measurement		Less Than	
	Value		1 Year	1-5 Years
STAR Ohio	\$ 953,880		\$ 953,880	\$ -

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 5: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. In 2022, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable for:					
Cemetery endowment	\$ -	\$ -	\$ -	\$ 16,082	\$ 16,082
Restricted for:					
Road maintenance and improvements	-	-	563,000	-	563,000
Police operations	-	-	-	31,086	31,086
Police and fire pension	-	-	-	13,526	13,526
Parks maintenance	-	-	-	14,702	14,702
Safe routes to school program	-	-	-	33,939	33,939
American Rescue Plan funds	-	-	-	379,048	379,048
Opioid settlement	-	-	-	1,082	1,082
Miscellaneous deposits	-	-	-	167,512	167,512
Cemetery	-	-	-	10,028	10,028
Debt service	-	-	-	11,502	11,502
Total restricted	<u>-</u>	<u>-</u>	<u>563,000</u>	<u>662,425</u>	<u>1,225,425</u>
Committed for:					
Cemetery perpetual care	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,522</u>	<u>80,522</u>
Assigned to:					
Construction of various projects	-	-	840,482	-	840,482
Earned interest	6,442	-	-	-	6,442
Giles Foundation	11,700	-	-	-	11,700
2023 Appropriations	971,111	-	-	-	971,111
Total assigned	<u>989,253</u>	<u>-</u>	<u>840,482</u>	<u>-</u>	<u>1,829,735</u>
Unassigned	<u>8,366,278</u>	<u>(1,189,219)</u>	<u>-</u>	<u>-</u>	<u>7,177,059</u>
Total fund balances, December 31, 2022	\$ 9,355,531	\$ (1,189,219)	\$ 1,403,482	\$ 759,029	\$ 10,328,823

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 6: Income Taxes

The Village levies a 1.85% income tax on substantially all income earned in the Village. The Village's levied income tax proceeds are placed into the general fund and the general permanent improvement fund. The Village levies and collects the tax on all income earned within the Village as well as on the incomes of residents earned outside the Village. In the latter case, the Village allows a 75% credit of the actual taxes paid to another municipality up to a maximum of 1.85% tax rate. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7: Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received during 2022 for real and public utility property taxes represents collections of the 2021 taxes.

2022 real property taxes are levied after October 1, 2022 on the assessed values as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2022 public utility property taxes which became a lien on December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2022, was \$8.30 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2022 property tax receipts were based are as follows:

	<u>2022</u>
Real property:	
Residential/agricultural	\$ 225,754,100
Commercial/industrial/mineral	27,759,290
Tangible personal property:	
Public utility	2,936,030
Total assessed value	<u>\$ 256,449,420</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

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

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

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

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

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

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

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

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee*	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension**	14.0 %
Post-employment Health Care Benefits**	<u>0.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional plan. For the combined plan the portion of employer contributions allocated to healthcare was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The employer contributions rate for the member-directed plan is allocated 4% for health care with the remainder going to pension.

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

For 2022, the Village's contractually required pension contribution was \$310,010 for the traditional plan, \$0 for the combined plan and \$12,489 for the member-directed plan.

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

Plan Description – Village full-time police officers participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

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

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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

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

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

	<u>Police</u>
2022 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2022 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u><u>19.50 %</u></u>
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required pension contributions to OP&F was \$236,260 for 2022.

In addition to current contributions, the Village pays installments on a specific liability of the Village incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2022, the specific liability of the Village was \$24,558 payable in semi-annual payments through the year 2035.

C. Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant. Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 9: Post-Employment Benefits

A. *Ohio Public Employees Retirement System*

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51% and 90% of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75% of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 9: Post-Employment Benefits (continued)

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of the employer's contribution allocated to health care was 0% for 2022 for the traditional plan. For the combined plan, the portion of the employer's contribution allocated to healthcare was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The portion of the employer contributions allocated to health care for members in the member directed plan was 4% for 2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution related to health care was \$4,995 for 2022.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 9: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 9: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The Village's contractually required contribution for health care to OP&F was \$6,217 for 2022.

Note 10: Debt

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

Debt Issue	Date Issued	Interest Rate	Original Issuance
General Obligation Bonds:			
Various Purpose Improvement Bonds, Series 2017	2017	2.51%	\$ 1,200,000
Water Meter Improvement Bonds, Series 2021	2021	1.62%	916,000
Ohio Public Works Commission Loans:			
River and West Streets Water Supply	2018	0.00%	185,000
Wellfield-Greenbrier Water Transmission Main	2018	0.00%	765,742
West Washington Street Watermain Replacement	2003	0.00%	106,500
Falls Road Water System Improvements	2004	0.00%	258,000
Mill Street Stabilization	2016	0.00%	122,024
Solon Road Watermain Repair	2013	0.00%	523,240
WWTP Renovation	2008	0.00%	92,090
WWTP Tertiary Filter Replacements	2020	0.00%	150,000
East Washington Street I&I Reduction	2019	0.00%	221,866
WWTP Improvement Phase II	2022	0.00%	100,000
Ohio Water Development Authority Loans:			
East Washington Street Waterline Replacement	2020	0.42%	**
WWTP Improvements Phase 2	2020	0.00%	**
SSO Elimination	2020	0.56%	**
WWTP Improvements Phase 1	2020	0.03%	**

** Loan has not been finalized.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 10: Debt (continued)

The Village's long-term debt activity for the year ended December 31, 2022, was as follows:

	<u>Debt Outstanding 12/31/2021</u>	<u>Transfers / Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2022</u>	<u>Due Within One Year</u>
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Governmental Activities:

General Obligation Bonds:

Various Purpose Improvement Bonds, Series 2017	\$ <u>654,000</u>	\$ <u>-</u>	\$ <u>124,000</u>	\$ <u>530,000</u>	\$ <u>128,000</u>
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Ohio Public Works Commission Loans:*

River and West Street Water Supply	175,750	-	6,167	169,583	3,083
Wellfield-Greenbrier Water Transmission Main	727,455	-	25,525	701,930	12,762
West Washington Street Watermain Replacement	13,312	-	5,325	7,987	2,663
Falls Road Water System Improvements	38,700	-	12,900	25,800	6,450
Mill Street Stabilization	<u>101,685</u>	<u>-</u>	<u>4,067</u>	<u>97,618</u>	<u>2,034</u>
Total Ohio Public Works Commission	<u>1,056,902</u>	<u>-</u>	<u>53,984</u>	<u>1,002,918</u>	<u>26,992</u>

Ohio Water Development Authority Loans:*

East Washington Street Waterline Replacement	216,443	-	9,325	207,118	-
SSO Elimination	<u>750,722</u>	<u>25,000</u>	<u>25,619</u>	<u>750,103</u>	<u>25,655</u>
Total Ohio Water Development Authority	<u>967,165</u>	<u>25,000</u>	<u>34,944</u>	<u>957,221</u>	<u>25,655</u>
Total Governmental Activities	<u>2,678,067</u>	<u>25,000</u>	<u>212,928</u>	<u>2,490,139</u>	<u>180,647</u>

Business-Type Activities:

General Obligation Bonds:

Water Meter Improvement Bonds, Series 2021	<u>835,000</u>	<u>-</u>	<u>76,000</u>	<u>759,000</u>	<u>79,000</u>
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Ohio Public Works Commission Loans:*

Solon Road Watermain Repair	392,431	-	17,441	374,990	8,721
WWTP Renovation	29,928	-	4,605	25,323	2,302
WWTP Tertiary Filter Replacements	150,000	-	7,500	142,500	3,750
East Washington Street I&I Reduction	221,865	-	7,395	214,470	3,698
WWTP Improvement Phase II	<u>-</u>	<u>100,000</u>	<u>2,500</u>	<u>97,500</u>	<u>2,500</u>
Total Ohio Public Works Commission	<u>794,224</u>	<u>100,000</u>	<u>39,441</u>	<u>854,783</u>	<u>20,971</u>

* Long-term obligation is a direct placement.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 10: Debt (continued)

	<u>Debt Outstanding 12/31/2021</u>	<u>Transfers / Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal 12/31/2022</u>	<u>Due Within One Year</u>
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Business-Type Activities (continued):

Ohio Water Development Authority Loans:*

East Washington Street Waterline

Replacement	216,443	-	9,325	207,118	-
WWTP Improvements Phase 2	250,776	356,866	180,000	427,642	180,000
SSO Elimination	1,501,443	50,000	51,238	1,500,205	51,309
WWTP Improvements Phase 1	<u>1,281,521</u>	<u>185,782</u>	<u>106,520</u>	<u>1,360,783</u>	<u>106,528</u>
Total Ohio Water Development Authority	<u>3,250,183</u>	<u>592,648</u>	<u>347,083</u>	<u>3,495,748</u>	<u>337,837</u>
Total Business-Type Activities	<u>4,879,407</u>	<u>692,648</u>	<u>462,524</u>	<u>5,109,531</u>	<u>437,808</u>
Total Village	<u>\$ 7,557,474</u>	<u>\$ 717,648</u>	<u>\$ 675,452</u>	<u>\$ 7,599,670</u>	<u>\$ 618,455</u>

* Long-term obligation is a direct placement.

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

The 2003 West Washington Street Watermain Replacement OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. The 2004 Falls Road Water System Improvements OPWC loan was for \$258,000 and will be repaid in semiannual installments of \$6,450 over 20 years. The 2008 WWTP Renovations OPWC loan was for \$92,090 and will be repaid in semiannual installments of \$2,302 over 20 years. The 2013 Solon Road Watermain Repair OPWC loan was for \$523,240 and will be repaid in semiannual installments of \$8,721 over 20 years. The 2016 Mill Street Stabilization OPWC loan was for \$122,024 and will be repaid in semiannual installments of \$2,034 over 30 years.

The 2018 River and West Streets Water Supply OPWC loan was for \$185,000 and will be repaid in semiannual installments of \$3,083 over 30 years. The 2018 Wellfield-Greenbrier Transmission Main OPWC loan was for \$765,742 and will be repaid in semiannual installments of \$12,762 over 30 years. The 2019 East Washington Street I&I Reduction OPWC loan was for \$221,866 and will be repaid in semiannual installments of \$3,698 over 30 years. The 2020 WWTP Tertiary Filter Replacements OPWC loan was for \$150,000 and will be repaid in semiannual installments of \$3,750 over 20 years. The 2022 WWTP Improvement Phase II OPWC loan was for \$100,000 and will be repaid in semiannual installments of \$2,500 over 20 years.

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 10: Debt (continued)

The Village has pledged future receipts to repay the Ohio Water Development Authority (OWDA) loans. The OWDA loans relate to sewer and watermain rehabilitation projects. These loans carry interest rates ranging from 0.00% to 0.56%.

In 2022 it was determined that a portion of the East Washington Street Waterline Replacement and the SSO Elimination loans would be paid from governmental activities. Rollforward has been adjusted to show the transfer of debt to governmental activities in the current year as well as restated the opening balance.

During the year, the Village obtained partial proceeds from OWDA loans that relates to sewer and watermain rehabilitation projects which are expected to be repaid in semi-annual principal and interest payments. Since these loans are not finalized, the repayment schedules are not included in the schedule of debt service payments. Until a final repayment schedules are available, the Village is paying based on estimates.

The outstanding OWDA loans contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1% on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the Village shall continue to pay an additional late charge of 1% on the amount of the default until such charges are paid.

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

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

The 2021 General Obligation Bonds was used to refund the 2018 General Obligation Bonds and for a water meter improvement project. The balance will be repaid in annual installments, ranging from \$76,000 to \$91,000, over ten years with corresponding interest payments being paid semi-annually.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 10: Debt (continued)

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

Year	G.O. Bonds		OPWC Loans		Total	
	Principal	Interest	Principal	Principal	Interest	
2023	\$ 207,000	\$ 25,599	\$ 47,963	\$ 254,963	\$ 25,599	
2024	211,000	21,106	93,263	304,263	21,106	
2025	215,000	16,522	84,151	299,151	16,522	
2026	220,000	11,847	77,701	297,701	11,847	
2027	84,000	7,063	77,701	161,701	7,063	
2028-2032	352,000	14,418	370,080	722,080	14,418	
2033-2037	-	-	365,479	365,479	-	
2038-2042	-	-	361,729	361,729	-	
2043-2047	-	-	248,624	248,624	-	
2048-2052	-	-	128,348	128,348	-	
Total	\$ <u>1,289,000</u>	\$ <u>96,555</u>	\$ <u>1,855,039</u>	\$ <u>3,144,039</u>	\$ <u>96,555</u>	

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Ohio 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, 2022, were an overall debt margin of \$25,649,691 and an unvoted debt margin of \$14,093,216.

Financed purchase

The Village entered into a financed purchase agreement for a fire truck where ownership of the underlying asset transfers to the Village by the end of the contract. The total expense for the year ended December 31, 2022, was \$64,331. Future minimum payments for the year ending December 31, 2022 are as follows:

Year	Amount
2023	\$ 64,331
2024	48,248
Total	\$ <u>112,579</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 11: Interfund Transfers

The Village made the following transfers during the year ended December 31, 2022:

Transfer to:	<u>Transfer from</u> <u>General</u> <u>Fund</u>
Street Construction Maintenance and Repair Fund	\$ 590,00
Water Fund	95,114
Sanitary Sewer Fund	<u>500,000</u>
Total	\$ <u>1,185,114</u>

The transfer from the general fund were made to provide additional resources in accordance with budgetary authorizations.

Note 12: Contingent Liabilities

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

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

Note 13: Risk Management

A. *Property and Liability*

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights, and the Village of Chagrin Falls, for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund.

The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must remain a member for at least three years from its initial commencement date. After the initial three years, each member may extend its term in additional three-year increments.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 13: Risk Management (continued)

A. Property and Liability (continued)

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

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

For the year ended December 31, 2022, the Village paid \$85,226 in premiums to NORMA. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio 44143.

B. Worker's Compensation

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

Note 14: Engineering Services

The Village contracted with CT Consultants to provide services in connection with the construction of public improvements. The Village Engineer is an employee of CT Consultants. The Village paid \$1,423,043 to CT Consultants during 2022.

Note 15: Jointly Governed Organizations

A. Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members over 240 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 15: Jointly Governed Organizations (continued)

A. Northeast Ohio Public Energy Council (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2022. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #33, Solon, Ohio 44139.

B. Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments, which operates the Chagrin/Southeast HazMat Response Team (the “Team”). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Village contributed \$3,500 to the organization in 2022. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

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

C. Valley Enforcement Regional Council of Governments

The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the ORC. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (VEG), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment.

VERCOG is currently comprised of communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed \$10,000 to the organization in 2022. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 15: Jointly Governed Organizations (continued)

D. Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 26 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2022, the Village contributed \$284,704 to the CVD. Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio 44141.

E. Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection of income taxes on behalf of each member. RITA currently has approximately 374 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member Board of Trustees (the “Board”) elected by the members of the council of governments. The Board exercises total control over RITA’s operation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the council. Financial information can be obtained by contacting RITA at 10107 Brecksville Road, Brecksville, Ohio 44141.

Note 16: Contractual Commitments

Ohio Revised Code Section 6111.44 requires the Village to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the Village would be responsible to address any public safety issues associated with their waste water treatment facilities.

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 16: Contractual Commitments (continued)

It has been estimated that the cost to retire the existing wastewater plant would be \$286,179. Due to the Village's application of the modified cash basis of accounting, this long-term obligation is not reported as a liability in the financial statements. The estimated remaining useful life of the Village's wastewater treatment plant is 12 years. The Village currently does not have any assets restricted for payment of the potential liability.

Note 17: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

For 2022, the Village implemented the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Implementation Guide No. 2019-3, *Leases*, provides guidance that clarifies, explains, or elaborates on the requirements for GASB Statement No. 87. These changes were incorporated in the Village's 2022 disclosures.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2021. There was no impact on the Village's financial statements and disclosures.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. There was no impact on the Village's financial statements and disclosures.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses accounting and financial reporting implications that result from global reference rate reform. The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate. There was no impact on the Village's financial statements and disclosures.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 17: Change in Accounting Principle (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. This statement clarifies the accounting and financial reporting surrounding public-private and public-public partnerships and availability payment arrangements. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The effective date of this standard to reporting periods beginning after June 15, 2022. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*, was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The effective date of this standard to reporting periods beginning after June 15, 2023. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 18: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

During 2022, the Village received \$208,060 as an on-behalf of grant from another government. These amounts are recorded in the American Rescue Plan special revenue fund.

Village of Chagrin Falls

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 19: Restatement

For fiscal year 2022, the Village restated net position and fund balance due to changes in debt allocation. This change had the following effect on net position and fund balance as reported at December 31, 2021:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position at December 31, 2021	\$ 9,830,630	\$ 2,691,920	\$ 12,522,550
Changes in debt allocation	(48,656)	48,656	-
Change in share of internal service	(2,866)	2,866	-
Restated net position at December 31, 2021	<u>\$ 9,779,108</u>	<u>\$ 2,743,442</u>	<u>\$ 12,522,550</u>
	<u>Water</u>	<u>Sanitary Sewer</u>	
Net position at December 31, 2021	\$ 1,230,333	\$ 1,383,793	
Changes in debt allocation	<u>18,569</u>	<u>30,087</u>	
Restated net position at December 31, 2021	<u>\$ 1,248,902</u>	<u>\$ 1,413,880</u>	

Effect on fund balances as reported December 31, 2021:

	<u>General Permanent Improvement</u>	<u>Total Governmental Funds</u>
Fund balance at December 31, 2021	\$ 1,762,657	\$ 9,505,130
Changes in debt allocation	<u>(48,656)</u>	<u>(48,656)</u>
Restated fund balance at December 31, 2021	<u>\$ 1,714,001</u>	<u>\$ 9,456,474</u>

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Village of Chagrin Falls

Statement of Net Position – Cash Basis

December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 9,830,630	\$ 2,691,920	\$ 12,522,550
Total assets	<u>\$ 9,830,630</u>	<u>\$ 2,691,920</u>	<u>\$ 12,522,550</u>
Net position:			
Restricted for:			
Debt service	\$ 11,566	\$ -	\$ 11,566
Capital projects	1,762,657	-	1,762,657
Permanent fund purposes:			
Expendable	9,874	-	9,874
Nonexpendable	16,082	-	16,082
Other purposes	610,984	-	610,984
Unrestricted	<u>7,419,467</u>	<u>2,691,920</u>	<u>10,111,387</u>
Total net position	<u>\$ 9,830,630</u>	<u>\$ 2,691,920</u>	<u>\$ 12,522,550</u>

Village of Chagrin Falls

Statement of Activities – Cash Basis

For the Year Ended December 31, 2021

	Cash Disbursements	Program Revenues	
		Charges for Services Activities	Capital Grants and Special Assessments
Governmental activities:			
General government	\$ 2,029,592	\$ 717,632	\$ -
Security of persons and property	2,881,706	117,506	-
Public health services	638,915	109,400	-
Leisure time activities	146,608	-	-
Community development	370,033	-	-
Basic utilities	362,182	-	-
Transportation	1,682,868	-	6,891
Principal retirement	174,985	-	-
Interest and fiscal charges	19,257	-	-
Total governmental activities	8,306,146	944,538	6,891

Business-type activities:

Water	3,047,830	1,936,129	-
Sewer	4,493,568	1,618,339	680,462
Total business-type activities	7,541,398	3,554,468	680,462
Total	\$ 15,847,544	\$ 4,499,006	\$ 687,353

General receipts:

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

Change in net position before transfers

Transfers

Change in net position after transfers

Net position, beginning of year

Net position, end of year

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,311,960)	\$ -	\$ (1,311,960)
(2,764,200)	-	(2,764,200)
(529,515)	-	(529,515)
(146,608)	-	(146,608)
(370,033)	-	(370,033)
(362,182)	-	(362,182)
(1,675,977)	-	(1,675,977)
(174,985)	-	(174,985)
(19,257)	-	(19,257)
<u>(7,354,717)</u>	<u>-</u>	<u>(7,354,717)</u>

-	(1,111,701)	(1,111,701)
-	(2,194,767)	(2,194,767)
<u>-</u>	<u>(3,306,468)</u>	<u>(3,306,468)</u>
<u>(7,354,717)</u>	<u>(3,306,468)</u>	<u>(10,661,185)</u>

1,484,194	-	1,484,194
6,879,493	-	6,879,493
921,827	-	921,827
-	2,806,104	2,806,104
-	916,000	916,000
11,200	-	11,200
3,822	-	3,822
<u>393,868</u>	<u>57,255</u>	<u>451,123</u>
<u>9,694,404</u>	<u>3,779,359</u>	<u>13,473,763</u>
2,339,687	472,891	2,812,578
<u>(125,000)</u>	<u>125,000</u>	<u>-</u>
2,214,687	597,891	2,812,578
<u>7,615,943</u>	<u>2,094,029</u>	<u>9,709,972</u>
<u>\$ 9,830,630</u>	<u>\$ 2,691,920</u>	<u>\$ 12,522,550</u>

Village of Chagrin Falls

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

December 31, 2021

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 7,190,731	\$ -	\$ 1,762,657	\$ 551,742	\$ 9,505,130
Due from other funds	1,068,649				1,068,649
Total assets	\$ 8,259,380	\$ -	\$ 1,762,657	\$ 551,742	\$ 10,573,779
Liabilities					
Due to other funds	\$ -	\$ 1,068,649	\$ -	\$ -	\$ 1,068,649
Total liabilities	\$ -	\$ 1,068,649	\$ -	\$ -	\$ 1,068,649
Fund balances					
Nonspendable	-	-	-	16,082	16,082
Restricted	-	-	1,186	471,345	472,531
Committed	-	-	-	64,315	64,315
Assigned	1,659,355	-	1,761,471	-	3,420,826
Unassigned	6,600,025	(1,068,649)	-	-	5,531,376
Total fund balances	\$ 8,259,380	\$ (1,068,649)	\$ 1,762,657	\$ 551,742	\$ 9,505,130
Total liabilities and fund balances	\$ 8,259,380	\$ -	\$ 1,762,657	\$ 551,742	\$ 10,573,779

Village of Chagrin Falls

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

December 31, 2021

Total governmental fund balances	\$ 9,505,130
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Amounts reported for governmental activities in the Statement of Net Position – Cash Basis are different because:

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

Net position	\$ 403,294
Internal balances	<u>(77,794)</u>
	<u>325,500</u>

Net position of governmental activities	\$ <u>9,830,630</u>
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Village of Chagrin Falls

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

For the Year Ended December 31, 2021

	General	Street Construction Maintenance and Repair	General Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and other local taxes	\$ 1,424,299	\$ -	\$ -	\$ 59,895	\$ 1,484,194
Municipal income taxes	5,572,389	-	1,307,104	-	6,879,493
Special assessments	-	-	6,891	-	6,891
Charges for services	592,325	-	-	16,120	608,445
Fines, licenses and permits	209,494	-	-	82,000	291,494
Intergovernmental	301,791	405,376	-	214,660	921,827
Earnings on investments	3,822	-	-	-	3,822
Miscellaneous	364,901	27,467	-	1,500	393,868
Total receipts	8,469,021	432,843	1,313,995	374,175	10,590,034
Disbursements:					
Current:					
General government	1,586,518	-	-	66,787	1,653,305
Security of persons and property	2,756,845	-	-	78,293	2,835,138
Public health services	634,999	-	-	3,916	638,915
Leisure time activities	146,608	-	-	-	146,608
Community development	370,033	-	-	-	370,033
Basic utilities	362,182	-	-	-	362,182
Transportation	129,726	880,700	-	-	1,010,426
Capital outlay	115,715	95,674	883,722	-	1,095,111
Debt service:					
Principal retirement	-	-	174,985	-	174,985
Interest and fiscal charges	-	-	19,189	68	19,257
Total disbursements	6,102,626	976,374	1,077,896	149,064	8,305,960
Excess of receipts over (under) disbursements	2,366,395	(543,531)	236,099	225,111	2,284,074
Other financing uses:					
Other financing uses	(186)	-	-	-	(186)
Transfers out	(125,000)	-	-	-	(125,000)
Total other financing uses	(125,186)	-	-	-	(125,186)
Net change in fund balances	2,241,209	(543,531)	236,099	225,111	2,158,888
Fund balances, beginning of year	6,018,171	(525,118)	1,526,558	326,631	7,346,242
Fund balances, end of year	\$ 8,259,380	\$ (1,068,649)	\$ 1,762,657	\$ 551,742	\$ 9,505,130

Village of Chagrin Falls

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

For the Year Ended December 31, 2021

Net change in fund balances - total governmental funds	\$ 2,158,888
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Amounts reported for governmental activities in the Statement of Activities – Cash Basis are different because:

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

Change in net position	\$ 66,167
Internal balances	<u>(10,368)</u>
	<u>55,799</u>

Change in net position of governmental activities	\$ <u>2,214,687</u>
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Village of Chagrin Falls

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

For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
				Positive	(Negative)
Receipts:					
Property and other local taxes	\$ 1,537,549	\$ 1,537,549	\$ 1,424,299	\$ (113,250)	
Municipal income taxes	3,285,289	5,175,817	5,572,389	396,572	
Intergovernmental	183,802	289,571	301,791	12,220	
Charges for services	360,748	568,342	592,325	23,983	
Fines, licenses and permits	127,590	201,011	209,494	8,483	
Earnings on investments	2,269	3,575	3,726	151	
Miscellaneous	210,934	332,317	346,340	14,023	
Total receipts	5,708,181	8,108,182	8,450,364	342,182	
Disbursements:					
Current:					
General government	1,498,404	1,591,000	1,585,522	5,478	
Security of persons and property	2,752,606	2,920,000	2,756,410	163,590	
Public health services	645,292	688,000	634,999	53,001	
Leisure time activities	149,096	160,000	146,608	13,392	
Community development	394,422	440,000	370,033	69,967	
Basic utilities	381,568	400,000	362,182	37,818	
Transportation	155,368	170,000	129,726	40,274	
Capital outlay	284,050	450,000	115,715	334,285	
Total disbursements	6,260,806	6,819,000	6,101,195	717,805	
Excess of receipts (under) over disbursements	(552,625)	1,289,182	2,349,169	1,059,987	
Other financing uses:					
Transfers out	(125,000)	(125,000)	(125,000)	-	
Other financing uses	-	-	(186)	(186)	
Total other financing uses	(125,000)	(125,000)	(125,186)	(186)	
Net change in fund balance	(677,625)	1,164,182	2,223,983	1,059,801	
Fund balance, beginning of year	5,938,633	5,938,633	5,938,633	-	
Fund balance, end of year	\$ 5,261,008	\$ 7,102,815	\$ 8,162,616	\$ 1,059,801	

Village of Chagrin Falls

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

For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Municipal income taxes	\$ 166,428	\$ 120,660	\$ -	\$ (120,660)
Intergovernmental	555,906	403,032	405,376	2,344
Miscellaneous	37,666	27,308	27,467	159
Total receipts	760,000	551,000	432,843	(118,157)
Disbursements:				
Current:				
Transportation	974,635	1,123,004	880,700	242,304
Capital outlay	105,878	121,996	95,674	26,322
Total disbursements	1,080,513	1,245,000	976,374	268,626
Net change in fund balance	(320,513)	(694,000)	(543,531)	150,469
Fund balance, beginning of year	(525,118)	(525,118)	(525,118)	-
Fund balance, end of year	\$ (845,631)	\$ (1,219,118)	\$ (1,068,649)	\$ 150,469

Village of Chagrin Falls

Statement of Fund Net Position – Cash Basis Proprietary Funds

December 31, 2021

	Business-Type Activities			Governmental
	Water	Sanitary	Total Enterprise	Activity
		Sewer	Funds	Internal Service
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,230,333	\$ 1,383,793	\$ 2,614,126	\$ 403,294
Total assets	<u>1,230,333</u>	<u>1,383,793</u>	<u>2,614,126</u>	<u>403,294</u>
Net position:				
Unrestricted	1,230,333	1,383,793	2,614,126	403,294
	<u>1,230,333</u>	<u>1,383,793</u>	<u>2,614,126</u>	<u>403,294</u>
Net position reported for business-type activities in the Statement of Net Position – Cash Basis are different because their share of internal service fund assets and liabilities are included.				
			77,794	<u>77,794</u>
Net position of business-type activities			\$ 2,691,920	<u>2,691,920</u>

Village of Chagrin Falls

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

For the Year Ended December 31, 2021

	Business-Type Activities			Governmental
	Water	Sanitary Sewer	Total Enterprise Funds	Activity
				Internal Service
Operating receipts:				
Charges for services	\$ 1,936,129	\$ 1,618,339	\$ 3,554,468	\$ 518,442
Intergovernmental	-	680,462	680,462	-
Miscellaneous	9,255	48,000	57,255	-
Total operating receipts	<u>1,945,384</u>	<u>2,346,801</u>	<u>4,292,185</u>	<u>518,442</u>
Operating disbursements:				
Personal services	396,336	801,848	1,198,184	51,027
Contractual services	1,052,536	712,596	1,765,132	62,990
Materials and supplies	34,294	161,176	195,470	123,776
Other	508,790	2,638,266	3,147,056	228,804
Total operating disbursements	<u>1,991,956</u>	<u>4,313,886</u>	<u>6,305,842</u>	<u>466,597</u>
Operating (loss) income	<u>(46,572)</u>	<u>(1,967,085)</u>	<u>(2,013,657)</u>	<u>51,845</u>
Non-operating receipts (disbursements):				
Loan proceeds	179,578	2,626,526	2,806,104	-
Sale of bonds	916,000	-	916,000	-
Sale of assets	-	-	-	11,200
Interest and fiscal charges	(44,432)	(13,834)	(58,266)	-
Principal retirement	(132,626)	(171,032)	(303,658)	-
Payment to refunded bond escrow agent	(884,000)	-	(884,000)	-
Other financing sources	-	-	-	3,122
Transfers in	-	125,000	125,000	-
Total non-operating receipts (disbursements)	<u>34,520</u>	<u>2,566,660</u>	<u>2,601,180</u>	<u>14,322</u>
Change in net position	<u>(12,052)</u>	<u>599,575</u>	<u>587,523</u>	<u>66,167</u>
Net position, beginning of year	<u>1,242,385</u>	<u>784,218</u>		<u>337,127</u>
Net position, end of year	<u>\$ 1,230,333</u>	<u>\$ 1,383,793</u>		<u>\$ 403,294</u>
Some amounts reported for business-type activities in the Statement of Activities are different because their share of the change in internal service fund net position is included.			<u>10,368</u>	
Change in net position of business-type activities			<u>\$ 597,891</u>	

Village of Chagrin Falls

Statement of Fiduciary Net Position – Cash Basis
Fiduciary Fund

December 31, 2021

Custodial

Assets:

Equity in pooled cash and cash equivalents	\$ <u>13,943</u>
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Net position:

Restricted	\$ <u><u>13,943</u></u>
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Village of Chagrin Falls

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

For the Year Ended December 31, 2021

	<u>Custodial</u>
Additions:	
Intergovernmental	\$ 10,113
Deductions:	
Other distributions	<u>3,221</u>
Change in net position	6,892
Net position, beginning of year	<u>7,051</u>
Net position, end of year	<u><u>\$ 13,943</u></u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 1: Reporting Entity

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

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

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

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

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

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

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds (continued)

The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for amounts collected and distributed on behalf of another government or organization. The Village maintains one custodial fund, the paid/received as agent fund. The paid/received as agent fund is used to account for State waiver transactions handled by the Village. Additionally, this fund accounts for the Village of Moreland Hills' hydrant maintenance assessment. The assessment is collected by the Village of Chagrin Falls through the submission of water bills to the residents of Moreland Hills.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

E. Cash and Investments

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

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

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

During 2021, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost.

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

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2021 were \$3,822.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

M. Net Position

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

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

N. Fund Balance

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

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

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State statute. State statute authorizes the Village to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

O. Internal Activity

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

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

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

P. Estimates

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 3: Budgetary Basis of Accounting

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

Adjustments necessary to convert the results of operations at the end of the year on the cash basis to the budgetary basis at December 31, 2021 are as follows:

	<u>Net Change in Fund Balances</u>	
	Street Construction	
	General	Maintenance and Repair
Cash basis	\$ 2,241,209	\$ (543,531)
Adjustment due to:		
Activity of funds reclassified		
for cash reporting purposes	(17,226)	-
Budgetary basis	\$ 2,223,983	\$ (543,531)

Note 4: Deposits and Investments

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

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 4: Deposits and Investments (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 4: Deposits and Investments (continued)

At December 31, 2021, the Village had \$150 in undeposited cash on hand which is included as part of "Equity in pooled cash and cash equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2021, the Village had a book balance of \$11,598,508. Of the Village's bank balance of \$11,802,436, \$2,357,378 was uninsured and uncollateralized. All of the Village's financial institutions participate in the Ohio Pooled Collateral System (OPCS). Two institutions were approved for a reduced collateral floor of 50% and one institutions was approved for a reduced collateral floor of 60% resulting in the uninsured and uncollateralized balance.

The Village follows the requirements of State statute for custodial credit risk. Ohio law requires that deposits be either insured or protected by:

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

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

Investments

The fair value of these investments is not materially different from measurement value. As of December 31, 2021, the Village had the following investments:

	Measurement		Less Than	
	Value		1 Year	1-5 Years
STAR Ohio	\$ 937,835		\$ 937,835	\$ -

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 4: Deposits and Investments (continued)

Investments (continued)

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

Note 5: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. In 2021, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Cemetery endowment	\$ _____ -	\$ _____ -	\$ _____ -	\$ 16,082	\$ 16,082
Restricted for:					
Police operations	-	-	-	24,699	24,699
Police and fire pension	-	-	-	11,355	11,355
Parks maintenance	-	-	-	14,702	14,702
Safe routes to school program	-	-	-	25,874	25,874
Issue II projects	-	-	1,186	-	1,186
American Rescue Plan funds	-	-	-	206,412	206,412
Miscellaneous deposits	-	-	-	166,863	166,863
Cemetery	-	-	-	9,874	9,874
Debt service	-	-	-	11,566	11,566
Total restricted	_____ -	_____ -	1,186	471,345	472,531
Committed for:					
Cemetery perpetual care	_____ -	_____ -	_____ -	64,315	64,315
Assigned to:					
Construction of various projects	-	-	1,761,471	-	1,761,471
Earned interest	368	-	-	-	368
Giles Foundation	12,445	-	-	-	12,445
2022 Appropriations	1,646,542	-	-	-	1,646,542
Total assigned	1,659,355	_____ -	1,761,471	-	3,420,826
Unassigned	6,600,025	(1,068,649)	_____ -	-	5,531,376
Total fund balances, December 31, 2021	\$ 8,259,380	\$ (1,068,649)	\$ 1,762,657	\$ 551,742	\$ 9,505,130

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 6: Income Taxes

The Village levies a 1.85% income tax on substantially all income earned in the Village. The Village's levied income tax proceeds are placed into the general fund and the general permanent improvement fund. The Village levies and collects the tax on all income earned within the Village as well as on the incomes of residents earned outside the Village. In the latter case, the Village allows a 75% credit of the actual taxes paid to another municipality up to a maximum of 1.85% tax rate. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7: Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax receipts received during 2021 for real and public utility property taxes represents collections of the 2020 taxes.

2021 real property taxes are levied after October 1, 2021 on the assessed values as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2021 public utility property taxes which became a lien on December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2021, was \$8.30 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2021 property tax receipts were based are as follows:

	<u>2021</u>
Real property:	
Residential/agricultural	\$ 194,829,660
Commercial/industrial/mineral	25,893,520
Tangible personal property:	
Public utility	2,786,010
Total assessed value	<u>\$ 223,509,190</u>

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 8: Defined Benefit Pension Plans

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

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

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

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

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

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

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan option will no longer be available for new hires beginning in 2022.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

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

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee*	10.0 %

2021 Actual Contribution Rates

Employer:	
Pension**	14.0 %
Post-employment Health Care Benefits**	0.0 %
Total Employer	<u>14.0 %</u>
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4% for health care with the remainder going to pension.

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

For 2021, the Village's contractually required pension contribution was \$309,713 for the traditional plan, \$0 for the combined plan and \$6,578 for the member-directed plan.

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

Plan Description – Village full-time police officers participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

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

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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

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

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

	<u>Police</u>
2021 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2021 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u><u>19.50 %</u></u>
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required pension contributions to OP&F was \$230,477 for 2021.

In addition to current contributions, the Village pays installments on a specific liability of the Village incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2021, the specific liability of the Village was \$26,028 payable in semi-annual payments through the year 2035.

C. Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant. Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 9: Post-Employment Benefits

A. *Ohio Public Employees Retirement System*

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 9: Post-Employment Benefits (continued)

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

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the traditional pension plan and combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution related to health care was \$2,631 for 2021.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 9: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 9: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The Village's contractually required contribution for health care to OP&F was \$6,065 for 2021.

Note 10: Debt

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

Debt Issue	Date Issued	Interest Rate	Original Issuance
General Obligation Bonds:			
Various Purpose Improvement Bonds, Series 2017	2017	2.51%	\$ 1,200,000
Water Meter Improvement Bonds, Series 2018	2018	3.04%	950,000
Water Meter Improvement Bonds, Series 2021	2021	1.62%	916,000
Ohio Public Works Commission Loans:			
River and West Streets Water Supply	2018	0.00%	185,000
Wellfield-Greenbrier Water Transmission Main	2018	0.00%	765,742
West Washington Street Watermain Replacement	2003	0.00%	106,500
Falls Road Water System Improvements	2004	0.00%	258,000
Mill Street Stabilization	2016	0.00%	122,024
Solon Road Watermain Repair	2013	0.00%	523,240
WWTP Renovation	2008	0.00%	92,090
WWTP Tertiary Filter Replacements	2020	0.00%	150,000
East Washington Street I&I Reduction	2019	0.00%	**
Ohio Water Development Authority Loans:			
East Washington Street Waterline Replacement	2020	0.42%	**
WWTP Improvements Phase 2	2020	0.00%	**
SSO Elimination	2020	0.56%	**
WWTP Improvements Phase 1	2020	0.30%	**

** Loan has not been finalized.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 10: Debt (continued)

The Village's long-term debt activity for the year ended December 31, 2021, was as follows:

	<u>Debt Outstanding</u> <u>12/31/2020</u>	<u>Debt Proceeds</u>	<u>Principal Paid</u>	<u>Ending Principal</u> <u>12/31/2021</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>General Obligation Bonds:</i>					
Various Purpose Improvement Bonds, Series 2017	\$ 775,000	\$ -	\$ 121,000	\$ 654,000	\$ 124,000
<i>Ohio Public Works Commission Loans*:</i>					
River and West Street Water Supply	181,917	-	6,167	175,750	3,083
Wellfield-Greenbrier Water Transmission Main	752,980	-	25,525	727,455	12,762
West Washington Street Watermain Replacement	18,637	-	5,325	13,312	2,663
Falls Road Water System Improvements	51,600	-	12,900	38,700	6,450
Mill Street Stabilization	105,753	-	4,068	101,685	2,034
Total Ohio Public Works Commission	1,110,887	-	53,985	1,056,902	26,992
Total Governmental Activities	1,885,887	-	174,985	1,710,902	150,992
Business-Type Activities:					
<i>General Obligation Bonds:</i>					
Water Meter Improvement Bonds, Series 2018	884,000	-	884,000	-	-
Water Meter Improvement Bonds, Series 2021	-	916,000	81,000	835,000	76,000
Total General Obligation Bonds	884,000	916,000	965,000	835,000	76,000
<i>Ohio Public Works Commission Loans*:</i>					
Solon Road Watermain Repair	409,873	-	17,442	392,431	8,721
WWTP Renovation	34,532	-	4,604	29,928	2,302
WWTP Tertiary Filter Replacements	-	150,000	-	150,000	-
East Washington Street I&I Reduction	-	221,865	-	221,865	-
Total Ohio Public Works Commission	444,405	371,865	22,046	794,224	11,023
<i>Ohio Water Development Authority Loans*:</i>					
East Washington Street Waterline Replacement	287,492	179,578	34,184	432,886	34,000
WWTP Improvements Phase 2	260,113	80,663	90,000	250,776	180,000
SSO Elimination	1,187,340	1,141,253	76,428	2,252,165	76,400
WWTP Improvements Phase 1	248,585	1,032,745	-	1,281,330	-
Total Ohio Water Development Authority	1,983,530	2,434,239	200,612	4,217,157	290,400
Total Business-Type Activities	3,311,935	3,722,104	1,187,658	5,846,381	377,423
Total Village	\$ 5,197,822	\$ 3,722,104	\$ 1,362,643	\$ 7,557,283	\$ 528,415

* Long-term obligation is a direct placement.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 10: Debt (continued)

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

The 2003 West Washington Street Watermain Replacement OPWC loan was for \$106,500 and will be repaid in semiannual installments of \$2,663 over 20 years. The 2004 Falls Road Water System Improvements OPWC loan was for \$258,000 and will be repaid in semiannual installments of \$6,450 over 20 years. The 2008 WWTP Renovations OPWC loan was for \$92,090 and will be repaid in semiannual installments of \$2,302 over 20 years. The 2013 Solon Road Watermain Repair OPWC loan was for \$523,240 and will be repaid in semiannual installments of \$8,721 over 20 years. The 2016 Mill Street Stabilization OPWC loan was for \$122,024 and will be repaid in semiannual installments of \$2,034 over 30 years.

The 2018 River and West Streets Water Supply OPWC loan was for \$185,000 and will be repaid in semiannual installments of \$3,083 over 30 years. The 2018 Wellfield-Greenbrier Transmission Main OPWC loan was for \$765,742 and will be repaid in semiannual installments of \$12,762 over 30 years. The WWTP Tertiary Filter Replacements and East Washington Street I&I Reduction OPWC loans have not been finalized and are excluded in the future annual debt service tables.

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

The Village has pledged future receipts to repay the Ohio Water Development Authority (OWDA) loans in the Village business-type funds. The OWDA loans relate to sewer and watermain rehabilitation projects. These loans carry interest rates ranging from 0.00% to 0.56%.

During the year, the Village obtained partial proceeds from OWDA loans that relates to sewer and watermain rehabilitation projects which are expected to be repaid in semi-annual principal and interest payments. Since these loans are not finalized, the repayment schedules are not included in the schedule of debt service payments. Until a final repayment schedules are available, the Village is paying based on estimates.

The outstanding OWDA loans contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1% on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the Village shall continue to pay an additional late charge of 1% on the amount of the default until such charges are paid.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 10: Debt (continued)

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

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

The 2018 General Obligation Bonds was used for a water meter improvement project. The outstanding balance of \$884,000 was refunded during 2021.

The 2021 General Obligation Bonds was used to refund the 2018 General Obligation Bonds and for a water meter improvement project. The balance will be repaid in annual installments, ranging from \$76,000 to \$91,000, over ten years with corresponding interest payments being paid semi-annually.

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

Year	G.O. Bonds		OPWC Loans		Total	
	Principal	Interest	Principal	Principal	Interest	
2022	\$ 200,000	\$ 29,942	\$ 38,015	\$ 238,015	\$ 29,942	
2023	207,000	25,599	76,029	283,029	25,599	
2024	211,000	21,106	73,367	284,367	21,106	
2025	215,000	16,522	64,255	279,255	16,522	
2026	220,000	11,847	57,805	277,805	11,847	
2027-2031	436,000	21,481	275,207	711,207	21,481	
2032-2036	-	-	266,001	266,001	-	
2037-2041	-	-	266,001	266,001	-	
2042-2046	-	-	231,119	231,119	-	
2047-2051	-	-	128,800	128,800	-	
Total	\$ 1,489,000	\$ 126,497	\$ 1,476,599	\$ 2,965,599	\$ 126,497	

The ORC provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The ORC further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5% of its tax valuation. The effects of the debt limitations at December 31, 2021, were an overall debt margin of \$21,991,031 and an unvoted debt margin of \$12,281,439.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 11: Interfund Transfers

The Village made the following transfers during the year ended December 31, 2021:

	<u>Transfer from</u> <u>General</u> <u>Fund</u>
Transfer to: Sanitary Sewer Fund	\$ <u>125,000</u>

The transfer from the general fund was made to provide additional resources for the sanitary sewer fund in accordance with budgetary authorizations.

Note 12: Contingent Liabilities

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

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

Note 13: Risk Management

A. *Property and Liability*

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights, and the Village of Chagrin Falls, for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund.

The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must remain a member for at least three years from its initial commencement date. After the initial three years, each member may extend its term in additional three-year increments.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 13: Risk Management (continued)

A. *Property and Liability (continued)*

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

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

For the year ended December 31, 2021, the Village paid \$96,371 in premiums to NORMA. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio 44143.

B. *Worker's Compensation*

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

Note 14: Engineering Services

The Village contracted with CT Consultants to provide services in connection with the construction of public improvements. The Village Engineer is an employee of CT Consultants. The Village paid \$800,117 to CT Consultants during 2021.

Note 15: Jointly Governed Organizations

A. *Northeast Ohio Public Energy Council*

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members over 240 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 15: Jointly Governed Organizations (continued)

A. Northeast Ohio Public Energy Council (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2021. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #33, Solon, Ohio 44139.

B. Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments, which operates the Chagrin/Southeast HazMat Response Team (the “Team”). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Village contributed \$3,500 to the organization in 2021. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, Ohio.

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

C. Valley Enforcement Regional Council of Governments

The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the ORC. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (VEG), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment.

VERCOG is currently comprised of communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed \$10,000 to the organization in 2021.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 15: Jointly Governed Organizations (continued)

D. Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 26 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2021, the Village contributed \$195,064 to the CVD.

E. Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection of income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member Board of Trustees (the “Board”) elected by the members of the council of governments. The Board exercises total control over RITA’s operation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the council.

Note 16: Leases

The Village entered into a 120-month lease agreement as a lessee for financing a fire truck to be used within the Village, commencing August 2014. The total rental expense for the year ended December 31, 2021, was \$64,331. Future minimum payments for the remaining lease terms in excess of one year for the year ending December 31, 2021 are as follows:

2022	\$ 64,331
2023	64,331
2024	<u>48,248</u>
Total	<u>\$ 176,910</u>

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

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 16: Leases (continued)

On February 1, 2019, the Village entered into a lease agreement with the Chagrin Valley Little Theater “Lessor”, for the use of the Lessor owned parking lot. The Agreement is effective for a period of one year commencing on the date of the agreement and ending on January 31, 2020. The agreement shall automatically continue from year to year unless either party gives written notice. The Village is to pay monthly rental payments of \$250.

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

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

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

Note 17: Contractual Commitments

Ohio Revised Code Section 6111.44 requires the Village to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the Village would be responsible to address any public safety issues associated with their waste water treatment facilities.

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

It has been estimated that the cost to retire the existing wastewater plant would be \$272,633. Due to the Village’s application of the modified cash basis of accounting, this long-term obligation is not reported as a liability in the financial statements. The estimated remaining useful life of the Village’s wastewater treatment plant is 13 years. The Village currently does not have any assets restricted for payment of the potential liability.

Village of Chagrin Falls

Notes to the Financial Statements

For the Years Ended December 31, 2021

Note 18: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. There was no impact on the Village's financial statements and disclosures.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 19: COVID-19

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

During 2021, the Village received \$206,412 as an on-behalf of grant from another government. These amounts are recorded in the American Rescue Plan special revenue fund.



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards), the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chagrin Falls, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 27, 2024, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

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

Village of Chagrin Falls
Cuyahoga County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

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

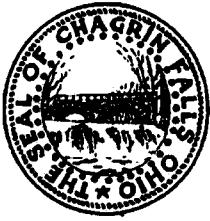
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 27, 2024



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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Allocation of Income Taxes	Partially Corrected	Reissued in Management Letter

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CHAGRIN FALLS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/21/2025

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

This report is a matter of public record and is available online at
www.ohioauditor.gov