



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**



**Auditor of State  
Betty Montgomery**



VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Chagrin Falls, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Chagrin Falls, Cuyahoga County, Ohio, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of Chagrin Falls  
Cuyahoga County  
Independent Accountants' Report

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 17, 2003

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$2,805,068	\$342,628	\$273,950		\$39,137	\$3,460,783
Intergovernmental Receipts	666,241	203,020	35,963	\$1,068,433	5,137	1,978,794
Special Assessments			57,317			57,317
Charges for Services	238,304					238,304
Fines, Licenses, and Permits	96,187	3,751				99,938
Earnings on Investments	83,735	18,689	6,148	53,852	4,426	166,850
Miscellaneous	39,094	2,622	42,225	48,569	13,488	145,998
<b>Total Cash Receipts</b>	<b>3,928,629</b>	<b>570,710</b>	<b>415,603</b>	<b>1,170,854</b>	<b>62,188</b>	<b>6,147,984</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,891,974	35,545			51,851	1,979,370
Public Health Services	349,537					349,537
Leisure Time Activities	61,832				8,000	69,832
Community Environment	173,268					173,268
Basic Utility Services	263,469					263,469
Transportation	25,072	588,977				614,049
General Government	816,321					816,321
Debt Service:						
Principal Payments			205,000	14,114		219,114
Interest Payments			196,232			196,232
Capital Outlay	77,665	17,422		865,162		960,249
<b>Total Cash Disbursements</b>	<b>3,659,138</b>	<b>641,944</b>	<b>401,232</b>	<b>879,276</b>	<b>59,851</b>	<b>5,641,441</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>269,491</b>	<b>(71,234)</b>	<b>14,371</b>	<b>291,578</b>	<b>2,337</b>	<b>506,543</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In		450,000		907,650	0	1,357,650
Transfers-Out	(1,000,000)	(20,000)		(837,650)		(1,857,650)
OPWC Loans				56,960		56,960
Other Uses	(947)					(947)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(1,000,947)</b>	<b>430,000</b>	<b>0</b>	<b>126,960</b>	<b>0</b>	<b>(443,987)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(731,456)</b>	<b>358,766</b>	<b>14,371</b>	<b>418,538</b>	<b>2,337</b>	<b>62,556</b>
<b>Fund Cash Balances, January 1, 2002</b>	<b>3,302,211</b>	<b>639,865</b>	<b>167,902</b>	<b>2,087,479</b>	<b>159,258</b>	<b>6,356,715</b>
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$2,570,755</b>	<b>\$998,631</b>	<b>\$182,273</b>	<b>\$2,506,017</b>	<b>\$161,595</b>	<b>\$6,419,271</b>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>					
Charges for Services	\$2,452,210	\$183,746	\$0		\$2,635,956
Total Operating Cash Receipts	2,452,210	183,746	0		2,635,956
<b>Operating Cash Disbursements:</b>					
Personal Services	848,164	24,886			873,050
Travel Transportation	9,645				9,645
Contractual Services	1,117,309	24,100			1,141,409
Supplies and Materials	125,020	45,436			170,456
Capital Outlay	73,216	175,971			249,187
Total Operating Cash Disbursements	2,173,354	270,393	0		2,443,747
Operating Income/(Loss)	278,856	(86,647)	0		192,209
<b>Non-Operating Cash Receipts:</b>					
Earnings on Investments	79,180				79,180
Sale of Fixed Assets		17,000			17,000
Other Non-Operating Receipts	3,096	1,048		\$25,326	29,470
Total Non-Operating Cash Receipts	82,276	18,048	0	25,326	125,650
<b>Non-Operating Cash Disbursements:</b>					
Debt Service					
Redemption of Principal	60,962				60,962
Interest	8,322				8,322
Other Non-Operating Cash Disbursements	2,096			22,595	24,691
Total Non-Operating Cash Disbursements	71,380	0	0	22,595	93,975
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	289,752	(68,599)	0	2,731	223,884
Transfers-In	545,000				545,000
Transfers-Out	(45,000)				(45,000)
Net Receipts Over/(Under) Disbursements	789,752	(68,599)	0	2,731	723,884
Fund Cash Balances, January 1, 2002	2,877,920	555,675	16,082	13,626	3,463,303
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$3,667,672</b>	<b>\$487,076</b>	<b>\$16,082</b>	<b>\$16,357</b>	<b>\$4,187,187</b>



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$2,980,717	\$370,070	\$296,798		\$40,472	\$3,688,057
Intergovernmental Receipts	634,671	207,783	37,692	\$1,504,949	5,140	2,390,235
Special Assessments			70,087			70,087
Charges for Services	182,188					182,188
Fines, Licenses, and Permits	110,393	55,813				166,206
Earnings on Investments	191,007	3,131	5,741	139,341	36,531	375,751
Miscellaneous	110,043	6,320	43,445	144,979	7,343	312,130
<b>Total Cash Receipts</b>	<b>4,209,019</b>	<b>643,117</b>	<b>453,763</b>	<b>1,789,269</b>	<b>89,486</b>	<b>7,184,654</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,828,707				50,110	1,878,817
Public Health Services	286,957	9,727			1,600	298,284
Leisure Time Activities	66,734				12,242	78,976
Community Environment	167,681					167,681
Basic Utility Services	272,684					272,684
Transportation	25,191	665,135				690,326
General Government	826,907					826,907
Debt Service:						
Principal Payments			200,000	14,114		214,114
Interest Payments			208,899			208,899
Capital Outlay	139,586	5,817		2,858,682		3,004,085
<b>Total Cash Disbursements</b>	<b>3,614,447</b>	<b>680,679</b>	<b>408,899</b>	<b>2,872,796</b>	<b>63,952</b>	<b>7,640,773</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>594,572</b>	<b>(37,562)</b>	<b>44,864</b>	<b>(1,083,527)</b>	<b>25,534</b>	<b>(456,119)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
OPWC Loans				120,349		120,349
Transfers-In		130,000		2,080,633		2,210,633
Transfers-Out	(130,000)	(20,000)	0	(2,060,633)	0	(2,210,633)
Other Uses	(3,352)					(3,352)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(133,352)</b>	<b>110,000</b>	<b>0</b>	<b>140,349</b>	<b>0</b>	<b>116,997</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>461,220</b>	<b>72,438</b>	<b>44,864</b>	<b>(943,178)</b>	<b>25,534</b>	<b>(339,122)</b>
<b>Fund Cash Balances, January 1, 2001</b>	<b>2,840,991</b>	<b>567,427</b>	<b>123,038</b>	<b>3,030,657</b>	<b>133,724</b>	<b>6,695,837</b>
<b>Fund Cash Balances, December 31, 2001</b>	<b><u>\$3,302,211</u></b>	<b><u>\$639,865</u></b>	<b><u>\$167,902</u></b>	<b><u>\$2,087,479</u></b>	<b><u>\$159,258</u></b>	<b><u>\$6,356,715</u></b>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>					
Charges for Services	\$2,337,376	\$291,003	\$0		\$2,628,379
Total Operating Cash Receipts	2,337,376	291,003	0		2,628,379
<b>Operating Cash Disbursements:</b>					
Personal Services	792,457	36,864			829,321
Travel Transportation	4,487				4,487
Contractual Services	1,070,004	65,214			1,135,218
Supplies and Materials	152,835	66,549			219,384
Capital Outlay	86,820	243,070			329,890
Total Operating Cash Disbursements	2,106,603	411,697	0		2,518,300
Operating Income/(Loss)	230,773	(120,694)	0		110,079
<b>Non-Operating Cash Receipts:</b>					
Earnings on Investments	146,125				146,125
Sale of Fixed Assets		16,750			16,750
Other Non-Operating Receipts	10,564	52,333		\$27,058	89,955
Total Non-Operating Cash Receipts	156,689	69,083	0	27,058	252,830
<b>Non-Operating Cash Disbursements:</b>					
Debt Service					
Redemption of Principal	57,921				57,921
Interest	11,363				11,363
Other Non-Operating Cash Disbursements	1,113			18,755	19,868
Total Non-Operating Cash Disbursements	70,397	0	0	18,755	89,152
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	317,065	(51,611)	0	8,303	273,757
Transfers-In	45,000				45,000
Transfers-Out	(45,000)				(45,000)
Net Receipts Over/(Under) Disbursements	317,065	(51,611)	0	8,303	273,757
Fund Cash Balances, January 1, 2001	2,560,855	607,286	16,082	5,323	3,189,546
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$2,877,920</b>	<b>\$555,675</b>	<b>\$16,082</b>	<b>\$13,626</b>	<b>\$3,463,303</b>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and 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 disbursements, respectively.

Certificates of deposit and U.S. Agency Securities are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service fund:

*General Obligation Bond Fund-* This fund is used to account for the accumulation of resources for and the payment of, general long term debt principal and interest for improvements to the Village waste water treatment plant.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project funds:

*General Permanent Improvement Fund-* This fund is used to account for the proceeds of a capital improvement levy. The proceeds are being used for major capital improvements and equipment purchases.

*North Main Street Project Fund-* This fund was used to account for the rebuilding of North Main Street and related storm-sewer and water-main improvements.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Water Fund-* This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund-* This fund receives charges for services from residents to cover the cost of providing this utility.

*Water Reserve For Capital Improvements-* This fund is used to account for major construction projects involving the Chagrin Falls water system.

**6. Internal Service Fund**

This fund is used to account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis. The Village had the following significant Internal Service Fund:

*Revolving Working Equipment Fund-* This fund is used to account for the purchase of long lasting capital equipment.

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

**Expendable Trust Fund**

*Police Disability and Pension fund-* This fund is used to account for the funding of payroll pension requirements for the police disabilities and pension fund.

**Non-Expendable Trust Fund**

*Cemetery Bequest Fund-* This fund is used to account for the maintenance of two Village cemeteries, with income provided from a trust.

**Agency Funds**

*Miscellaneous Deposits Fund-* This fund is used to account for performance deposits provided by contractors for small jobs in the Village.

*Paid/Received as Agent Fund-* This fund is used to account for the Village of Moreland Hills's hydrant maintenance assessment. The assessment collected by the Village of Chagrin Falls through the submission of water bills to the Moreland Hill's residents.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Demand deposits	\$91,725	(\$44,964)
Petty Cash	150	150
Certificates of deposit	\$8,031,082	\$6,651,082
Total deposits	<u>8,122,957</u>	<u>6,606,268</u>
U.S. Agency Securities	\$2,483,501	\$3,213,750
Total investments	<u>2,483,501</u>	<u>3,213,750</u>
Total deposits and investments	<u><u>\$10,606,458</u></u>	<u><u>\$9,820,018</u></u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** U.S. Agency Securities are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,964,774	\$3,928,629	(\$36,145)
Special Revenue	\$1,013,258	\$1,020,710	7,452
Debt Service	\$429,601	\$415,603	(13,998)
Capital Projects	\$1,927,812	\$2,135,464	207,652
Enterprise	\$3,079,487	\$3,079,486	(1)
Internal Service	\$201,794	\$201,794	0
Fiduciary	\$96,964	\$87,514	(9,450)
Total	\$10,713,690	\$10,869,200	\$155,510

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,670,436	\$4,660,085	\$10,351
Special Revenue	\$663,496	\$661,944	1,552
Debt Service	\$401,232	\$401,232	0
Capital Projects	\$1,716,926	\$1,716,926	0
Enterprise	\$2,293,718	\$2,289,734	3,984
Internal Service Fund	\$270,393	\$270,393	0
Fiduciary	\$83,646	\$82,446	1,200
Total	\$10,099,847	\$10,082,760	\$17,087

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,275,765	\$4,209,019	(\$66,746)
Special Revenue	\$770,717	\$773,117	2,400
Debt Service	\$457,825	\$453,763	(4,062)
Capital Projects	\$1,929,618	\$3,990,251	2,060,633
Enterprise	\$2,539,066	\$2,539,065	(1)
Internal Service Fund	\$360,086	\$360,086	0
Fiduciary	\$119,500	\$116,544	(2,956)
Total	\$10,452,577	\$12,441,845	\$1,989,268

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,801,122	\$3,747,799	\$53,323
Special Revenue	\$710,731	\$700,679	10,052
Debt Service	\$408,899	\$408,899	0
Capital Projects	\$4,933,430	\$4,933,429	1
Enterprise	\$2,243,373	\$2,222,000	21,373
Internal Service Fund	\$413,468	\$411,697	1,771
Fiduciary	\$82,708	\$82,707	1
Total	\$12,593,731	\$12,507,210	\$86,521

**A. Expenditures Exceeding Appropriations**

Contrary to Ohio law, on September 30, 2002, budgetary expenditures exceeded appropriation authority in the following funds as described below during the year ended December 31, 2002.

Fund / Account	Annual Appropriations	September Expenditures	Variance
<b>General Fund:</b>			
Police Law Enforcement – Part Time	\$99,000	\$134,338	(\$35,338)
Police Law Enforcement – Working Equipment	45,630	61,006	(15,376)
Fire Fighting – Personnel Benefits	700	982	(282)
Fire Fighting – Working Equipment	9,570	12,795	(3,225)
Forestry – Salaries and Wages	8,300	11,075	(2,775)
Forestry – Working Equipment	5,890	7,869	(1,979)
Parking – Salaries and Wages	-	34	(34)
Parking – Overtime	-	100	(100)
Parking – Part-time	-	84	(84)
Parking – Other	1,470	1,965	(495)
Lands and Buildings – Operating Expenses	11,000	22,258	(11,258)
Lands and Building – Capital Outlay	10,000	13,521	(3,521)
Chief Admin. Officer – Contractual Services	9,300	10,482	(1,182)
Other – Workers Compensation	17,300	23,103	(5,803)



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**A. Expenditures Exceeding Appropriations (Continued)**

Fund / Account	Annual Appropriations	September Expenditures	Variance
<b>Special Revenue Funds:</b>			
Street Maint./Repair – Working Equipment	\$24,290	\$32,472	(\$8,182)
Snow/Ice Removal – Working Equipment	24,290	32,472	(8,182)
Storm Sewer/Drains – Working Equipment	16,190	21,652	(5,462)
Street Cleaning – Working Equipment	7,360	9,843	(2,483)
Service Garage – Operating Expenses	5,000	9,874	(4,874)
Administrative & Other – Fees & Misc. Services	5,600	5,723	(123)
Confiscated Prop./L.E. – Operating Expenses	18,100	18,889	(789)
<b>Capital Project Funds:</b>			
Ridgewood Sewer Project – Cont. Services	-	584	(584)
1999 Street Program – Contractual Services	-	252	(252)
1999 Street Program – Capital Outlay	-	14,234	(14,234)
2000 Road Program – Capital Outlay	-	4,950	(4,950)
1999 Sidewalk Program – Contractual Services	4,000	4,272	(272)
Underground Wiring/Streetscape – Capital Outlay	16,700	32,111	(15,411)
<b>Enterprise Funds:</b>			
Water Fund – Pension	-	12,541	(12,541)
Water Fund – Distribution – Working Equipment	10,120	13,283	(3,163)
Water Fund – Supply – Working Equipment	8,280	11,311	(3,031)
Sewer Fund – Office Admin. – Travel and Ed.	3,500	4,667	(1,167)
Sewer Fund – Sanitary Sewers – Sal. and Wages	22,000	26,543	(4,543)
Sewer Fund – Sanitary Sewers – Working Equip.	12,330	16,478	(4,148)
Sewer Fund – Sanitary Sewers – Cont. Services	19,000	23,853	(4,853)
Sewer Fund – Treatment – Part Time	5,500	16,112	(10,612)
<b>Internal Service Fund:</b>			
Working Equipment Fund – Capital Outlay	153,800	175,971	(22,171)

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**A. Expenditures Exceeding Appropriations (Continued)**

Contrary to Ohio law, on September 30, 2001, budgetary expenditures exceeded appropriation authority in the following funds as is described below during the year ended December 31, 2001.

<b>Fund and Account</b>	<b>Annual Appropriations</b>	<b>September Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>			
Police Law Enforcement – Part Time	\$ 95,200	\$ 148,133	(\$52,933)
Fire Fighting – Travel and Education	5,000	6,021	(1,021)
Fire Fighting – Capital Outlay	8,500	12,150	(3,650)
Police/Fire Communications – Overtime	11,000	40,550	(29,550)
Cemetery – Overtime	1,500	1,659	(159)
Parks – Overtime	800	1,429	(629)
Building Department – Pension Pickup	-	3,570	(3,570)
Building Department – Travel.	-	320	(320)
Forestry – Contractual Services	45,000	46,278	(1,278)
Refuse Collect/Disposal- Part-time	700	884	(184)
Refuse Collect/Disposal- Cont. Services	246,000	249,075	(3,075)
Parking – Capital Outlay	15,000	27,736	(12,736)
Court – Contractual Services	53,000	62,024	(9,024)
Finance – Overtime	1,000	1,074	(74)
Chief Admin. Officer – Hospitalization	9,400	9,932	(532)
Chief Admin. Officer – Oper. Expenses	6,300	10,574	(4,274)
Other – Workers Compensation	56,000	58,339	(2,339)
Non-Governmental Expenditures – Other	-	2,400	(2,400)
<b>Special Revenue Funds:</b>			
Street Fund – Street Maint./Repair –Overtime	500	675	(175)
Street Fund – Street Maint./Repair – Part Time	1,350	2,724	(1,374)
Street Fund – Traffic Signs/Signals – Oper. Exp.	3,000	10,700	(7,700)
Street Fund – Service Garage – Cont. Services	2,500	4,916	(2,416)
Street Fund – Administrative & Other – Utilities	850	2,396	(1,546)
Motor Vehicle Immobilization –Oper. Exp.	-	945	(945)
Drug Law Enforcement – Operating Expenses	-	930	(930)

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**A. Expenditures Exceeding Appropriations (Continued)**

<b>Fund and Account</b>	<b>Annual Appropriations</b>	<b>September Expenditures</b>	<b>Variance</b>
<b>Capital Project Funds:</b>			
Wastewater Treat. Plan Improv. – Capital Outlay	\$120,000	\$ 151,093	\$(31,093)
New Traffic Signal System – Capital Outlay	-	18,090	(18,090)
Bell Street Construction – Capital Outlay	420,000	614,797	(194,797)
North Main Street – Capital Outlay	400,000	523,033	(123,033)
Athletic Fields – Contractual Services	50,000	52,477	(2,477)
Athletic Files – Operating Expenses	-	2,765	(2,765)
<b>Enterprise Funds:</b>			
Water Fund – Distribution – Operating Expenses	45,000	55,627	(10,627)
Sewer Fund – Office Admin. – Oper. Expenses	10,000	10,375	(375)
<b>Internal Service Fund:</b>			
Working Equipment Fund – Contractual Services	32,000	59,229	(27,229)
Working Equipment Fund – Operating Expenses	19,000	20,074	(1,074)

**B. Negative Cash Fund Balances**

Contrary to Ohio law, as of December 31, 2002 the G.R.E.A.T. Grant Special Revenue Fund had a negative cash fund balance in the amount of \$2,304. As of December 31, 2001, the Traffic Signal Systems and Ridgewood Road Sewer Capital Projects Funds had negative cash balances in the amounts of \$407 and \$7,057 respectively.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Taxes are collected by the Regional Income Tax Authority and remitted to the village monthly.

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
1979 Ohio Water Development Authority Loan	\$97,561	5.25%
2001 Ohio Public Works Commission	410,175	0.00%
1998 Advance Refunding General Obligation Bonds	2,545,000	6.40%
1988 Miles Road Sewers	120,000	7.625%
1992 Hickory Hill Sewers	135,000	6.03%
Total	\$3,307,736	

The Ohio Water Development Authority (OWDA) loan relates to a 1979 wastewater treatment plant construction project. The loans are being repaid in semiannual installments of \$34,642, including interest, over 30 years. The Ohio Public Works Commission (OPWC) loan relates to a road and sewer rehabilitation project. The Village borrowed \$459,584 for this project in 2001 and 2002. The loan is interest free and will be repaid in semiannual installments of \$7,057 over 20 years. The 1998 Advance Refunding General Obligation Bonds were used for improvements to the Village wastewater treatment plant. The 1988 and 1992 Special Assessment bonds were used for sanitary sewer improvements.

Amortization of the above debt, including interest, is scheduled as follows:

	OWDA Loan	OPWC Loan	General Obligation (Adv. Refund) Bonds	Special Assessment Miles Rd Sewer	Special Assessment Hickory Rd Sewers
2003	\$69,284	\$14,114	\$357,880	\$24,150	\$19,580
2004	34,642	14,114	355,400	\$28,006	\$18,995
2005		14,114	352,280	\$26,481	\$23,400
2006		14,114	358,520	\$24,956	\$22,500
2007		14,114	348,480	\$23,432	\$21,562
2008-2012		70,569	1,745,560	\$26,906	\$107,813
2012-2017		70,569			
2018-2022		70,569			
2023-2027		70,569			
2028-2032		57,329			
Total	\$103,926	\$410,175	\$3,518,120	\$153,931	\$213,850

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OP&F contributed 1.5% to OP&F while the Village picked up or contributed 8.5% on behalf of the members. The Village also contributed their employer amount equal to 19.5% of participant's wages. In addition to the Village contributing 8.5% on behalf of PERS members (pick-up) the Village also contributed its employer portion of 13.55% of participant's gross salaries. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

The Northern Ohio Risk Management Association (NORMA) is jointly owned and operated by the Cities of Bedford Heights, Eastlake, Highland Heights, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Villages of Chagrin Falls and Hudson for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must commit to the joint venture for terms of three years. Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the City's percentage of contributions. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. As of December 31, 2002, NORMA had an aggregate stop loss of \$500,000 per policy year. Any losses over these amounts would be the obligation of the individual members to make additional supplementary payments up to a maximum of the regular annual payment.

For the year ended December 31, 2002, the Village paid \$51,461 in premiums and the percentage of contributions by the members and their residual equity interests, after payment of all claims are:

	<u>Percentage</u>
City of Bedford Heights	17.5
Village of Chagrin Falls	5.9
City of Eastlake	8.7
City of Highland Heights	3.0
Village of Hudson	9.5
City of Maple Heights	23.7
City of Mayfield Heights	6.3
City of Richmond Heights	4.3
City of Solon	16.3
City of South Euclid	<u>4.8</u>
Total:	<u><u>100</u></u>

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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

There were no reductions in the insurance coverage from previous year, nor have settlements exceeded insurance coverage in any of the prior three years.

**9. CONTINGENT LIABILITIES**

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

**10. JOINT VENTURE**

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Chagrin Falls, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated March 17, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-30818-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 17, 2003

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-30818-002 and 2002-30818-003.

Village of Chagrin Falls  
Cuyahoga County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 17, 2003.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 17, 2003



**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 and 2001**

<b>Finding Number</b>	<b>2002-30818-001</b>
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**EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Ohio Rev. Code Section 5705.41(B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. As described in Note 3 to the financial statements, as of September 30, 2002 and September 30, 2001 we noted the village had numerous fund expenditures exceeding annual appropriations at the legal level of control. We noted the Village passes its annual appropriation modification in March and except for modifications related to transfers, no additional amendments were made until year end.

Contrary to Ohio law, on September 30, 2002, budgetary expenditures exceeded appropriation authority in the following funds as described below during the year ended December 31, 2002.

Fund / Account	Annual Appropriations	September Expenditures	Variance
<b>General Fund:</b>			
Police Law Enforcement – Part Time	\$99,000	\$134,338	(\$35,338)
Police Law Enforcement – Working Equipment	45,630	61,006	(15,376)
Fire Fighting – Personnel Benefits	700	982	(282)
Fire Fighting – Working Equipment	9,570	12,795	(3,225)
Forestry – Salaries and Wages	8,300	11,075	(2,775)
Forestry – Working Equipment	5,890	7,869	(1,979)
Parking – Salaries and Wages	-	34	(34)
Parking – Overtime	-	100	(100)
Parking – Part-time	-	84	(84)
Parking – Other	1,470	1,965	(495)
Lands and Buildings – Operating Expenses	11,000	22,258	(11,258)
Lands and Building – Capital Outlay	10,000	13,521	(3,521)
Chief Admin. Officer – Contractual Services	9,300	10,482	(1,182)
Other – Workers Compensation	17,300	23,103	(5,803)
<b>Special Revenue Funds:</b>			
Street Maint./Repair –Working Equipment	\$24,290	\$32,472	(\$8,182)
Snow/Ice Removal – Working Equipment	24,290	32,472	(8,182)
Storm Sewer/Drains – Working Equipment	16,190	21,652	(5,462)
Street Cleaning – Working Equipment	7,360	9,843	(2,483)
Service Garage – Operating Expenses	5,000	9,874	(4,874)
Administrative & Other – Fees & Misc. Services	5,600	5,723	(123)
Confiscated Prop./L.E. – Operating Expenses	18,100	18,889	(789)

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 and 2001  
(Continued)**

<b>Finding Number</b>	<b>2002-30818-001</b>
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**EXPENDITURES IN EXCESS OF APPROPRIATIONS (Continued)**

Fund / Account	Annual Appropriations	September Expenditures	Variance
<b>Capital Project Funds:</b>			
Ridgewood Sewer Project – Cont. Services	\$ -	\$584	\$(584)
1999 Street Program – Contractual Services	-	252	(252)
1999 Street Program – Capital Outlay	-	14,234	(14,234)
2000 Road Program – Capital Outlay	-	4,950	(4,950)
1999 Sidewalk Program – Contractual Services	4,000	4,272	(272)
Underground Wiring/Streetscape – Capital Outlay	16,700	32,111	(15,411)
<b>Enterprise Funds:</b>			
Water Fund – Pension	-	12,541	(12,541)
Water Fund – Distribution – Working Equip.	10,120	13,283	(3,163)
Water Fund – Supply – Working Equip.	8,280	11,311	(3,031)
Sewer Fund – Office Admin. – Travel and Ed.	3,500	4,667	(1,167)
Sewer Fund – Sanitary Sewers – Sal. and Wages	22,000	26,543	(4,543)
Sewer Fund – Sanitary Sewers – Working Equip.	12,330	16,478	(4,148)
Sewer Fund – Sanitary Sewers – Cont. Services	19,000	23,853	(4,853)
Sewer Fund – Treatment – Part Time	5,500	16,112	(10,612)
<b>Internal Service Fund:</b>			
Working Equipment Fund – Capital Outlay	153,800	175,971	(22,171)

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 and 2001  
(Continued)**

<b>Finding Number</b>	<b>2002-30818-001</b>
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**EXPENDITURES IN EXCESS OF APPROPRIATIONS (Continued)**

Contrary to Ohio law, on September 30, 2001, budgetary expenditures exceeded appropriation authority in the following funds as described below during the year ended December 31, 2001.

Fund and Account	Annual Appropriations	September Expenditures	Variance
<b>General Fund:</b>			
Police Law Enforcement – Part Time	\$ 95,200	\$ 148,133	(\$52,933)
Fire Fighting – Travel and Education	5,000	6,021	(1,021)
Fire Fighting – Capital Outlay	8,500	12,150	(3,650)
Police/Fire Communications – Overtime	11,000	40,550	(29,550)
Cemetery – Overtime	1,500	1,659	(159)
Parks – Overtime	800	1,429	(629)
Building Department – Pension Pickup	-	3,570	(3,570)
Building Department – Travel	-	320	(320)
Forestry – Contractual Services	45,000	46,278	(1,278)
Refuse Collect/Disposal- Part-time	700	884	(184)
Refuse Collect/Disposal- Cont. Services	246,000	249,075	(3,075)
Parking – Capital Outlay	15,000	27,736	(12,736)
Court – Contractual Services	53,000	62,024	(9,024)
Finance – Overtime	1,000	1,074	(74)
Chief Admin. Officer – Hospitalization	9,400	9,932	(532)
Chief Admin. Officer – Oper. Expenses	6,300	10,574	(4,274)
Other – Workers Compensation	56,000	58,339	(2,339)
Non-Governmental Expenditures – Other	-	2,400	(2,400)
<b>Special Revenue Funds:</b>			
Street Fund – Street Maint./Repair –Overtime	500	675	(175)
Street Fund – Street Maint./Repair – Part Time	1,350	2,724	(1,374)
Street Fund – Traffic Signs/Signals – Oper. Exp.	3,000	10,700	(7,700)
Street Fund – Service Garage – Cont. Services	2,500	4,916	(2,416)
Street Fund – Administrative & Other – Utilities	850	2,396	(1,546)
Motor Vehicle Immobilization –Oper. Exp.	-	945	(945)
Drug Law Enforcement – Operating Expenses	-	930	(930)

**VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 and 2001  
(Continued)**

<b>Finding Number</b>	<b>2002-30818-001</b>
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**EXPENDITURES IN EXCESS OF APPROPRIATIONS (Continued)**

<b>Fund and Account</b>	<b>Annual Appropriations</b>	<b>September Expenditures</b>	<b>Variance</b>
<b>Capital Project Funds:</b>			
Wastewater Treat. Plan Improv. – Capital Outlay	\$120,000	\$151,093	\$(31,093)
New Traffic Signal System – Capital Outlay	-	18,090	(18,090)
Bell Street Construction – Capital Outlay	420,000	614,797	(194,797)
North Main Street – Capital Outlay	400,000	523,033	(123,033)
Athletic Fields – Contractual Services	50,000	52,477	(2,477)
Athletic Files – Operating Expenses	-	2,765	(2,765)
<b>Enterprise Funds:</b>			
Water Fund – Distribution – Operating Expenses	45,000	55,627	(10,627)
Sewer Fund – Office Admin. – Oper. Expenses	10,000	10,375	(375)
<b>Internal Service Fund:</b>			
Working Equipment Fund – Contractual Services	32,000	59,229	(27,229)
Working Equipment Fund – Operating Expenses	19,000	20,074	(1,074)

We recommend the Village amend appropriations monthly or deem appropriate in accordance with the above revised code section.

<b>Finding Number</b>	<b>2002-30818-002</b>
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**BANK RECONCILIATIONS**

During 2002 the Village did not reconcile its bank accounts in a timely manner. The May 2002 through December 2002 bank reconciliations were not completed until February 2003. This may result in errors or irregularities not being detected in a timely manner. We also noted the December 2001 and 2002 reconciliations included an outstanding check that was listed on the outstanding check list even though it was actually voided.

Failure to reconcile the bank accounts timely and follow up on long outstanding reconciling items compromises the internal controls designed to aid in the detection of errors and/or irregularities in a timely manner and during the normal course of business. We recommend the Village complete timely bank reconciliations and all reconciling items presented as part of the reconciliation should be reviewed and investigated timely. The reconciliations should be initialed/authorized by a responsible official for propriety. Also, we recommend that all posting errors be reversed and posted timely to the accounting system.

VILLAGE OF CHAGRIN FALLS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 and 2001  
(Continued)

Finding Number	2002-30818-003
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**REPORTING AND COMPUTER SYSTEM ISSUES**

During our testing of the bank reconciliations and trial balances we noted the Village does not have a system derived fund-balance report. Each fund balance is manually calculated monthly by the Finance Director by adding the month-to-date receipts and deducting the month-to-date disbursements from his previous months calculated fund balance.

During our proof of cash testing for 2001 we noted a difference of \$86,518. This difference was due to a double posting of the March 2001 payroll which overstated the Village's disbursements. This error was correct on the Finance Director's manual monthly fund balance report provided to Council, but not in the system. This change has not been corrected in the Village's accounting system.

Additionally, in 2002, we noted that various ledger disbursement and revenue line-item totals exceeded the year-to-date totals used by the Finance Director to calculate various fund balances. The booked total expenditures exceeded the Finance Director's calculated total expenditures by \$15,888 and the booked total revenues were less than the Finance Director's calculated total revenues by \$12,341. Per discussion with the Finance Director, the system is not accurately updating some of its month-to-date receipts and disbursement and these amounts are being carried forward into the year-to-date totals.

We recommend the Village review their current accounting system and determine if it is satisfactory to meet the Village's accounting needs. Additionally, the Village personnel should evaluate and determine the integrity of all critical accounting information.





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Betty Montgomery**

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**VILLAGE OF CHAGRIN FALLS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 8, 2003**