

# **Village of Gates Mills**

**Financial Statements  
For the Years Ended December 31, 2013 and  
December 31, 2012**





# Dave Yost • Auditor of State

Village Council  
Village of Gates Mills  
1470 Chagrin River Road  
Gates Mills, Ohio 44040

We have reviewed the *Independent Auditor's Report* of the Village of Gates Mills, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Gates Mills is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 2, 2014

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# Village of Gates Mills

For the Years Ended December 31, 2013 and December 31, 2012

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# Village of Gates Mills

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## Independent Auditor's Report

Members of Village Council  
Gates Mills, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Gates Mills, Ohio (the "Village") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2013 and 2012, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting described in Note 2.

Members of Village Council  
Gates Mills, Ohio

***Emphasis of Matters***

*Basis of Accounting*

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

*Change in Accounting Principles*

As described in Note 3 to the financial statements, during 2012 the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to that matter.

***Other Matters***

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Management's Discussion and Analysis on pages 3 through 12 includes tables of net position, changes in net position, governmental activities, and business-type activities. These tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. However, these tables are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurances on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2014 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
May 13, 2014

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

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This discussion and analysis of the Village of Gates Mills, Cuyahoga County, Ohio (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2013 and December 31, 2012, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

#### Highlights

Key highlights are as follows:

- In 2013, net position of governmental activities increased \$343,807 (7.82%) from 2012. In 2012, net position of governmental activities increased \$69,105 (1.60%) from 2011.
- The Village's general receipts are primarily property, municipal income and estate taxes. Property tax income was \$8,091 (.36%) lower in 2013 than 2012. In 2012, property tax income was \$31,904 (1.38%) lower than 2011.

The estate tax income received in 2013 increased by 8 percent and decreased by 72 percent in 2012. The estate tax was repealed effective January 1, 2013. The Village received \$396,281 in 2013 and at the end of 2013 had a balance at the Cuyahoga County Estate Tax Department of \$147,036 which will be distributed in 2014. Due to the extension of a few estates, the Village expects to receive more income from this source in the upcoming year.

In 2013, the municipal income tax received was \$98,236 (5.95%) less than received in 2012 and \$47,377 (3.15%) more than originally estimated. In 2012, the municipal income tax received was \$22,542 (1.39%) more than received in 2011 and \$279,431 (20.39%) more than originally estimated. Municipal income tax and estate tax income have fluctuated in the past, making budgeting a challenge.

- In 2013, the General Fund expenses (excluding transfers) decreased by \$120,077 from the prior year. In the police department, wages expense decreased \$76,867, even though pay rates increased by 1 percent. This was due to the change over of the dispatch center to Chagrin Valley Dispatch. This change over resulted in the decrease from 4 to 1 full-time dispatchers and from 5 to 3 part-time dispatchers. The fire department expenses decreased by \$151,577 from the prior year as a result of re-negotiation of the EMS contract with Mayfield Village.

In 2012, the General Fund expenses (excluding transfers) decreased by \$13,144 from the prior year. The Village Service Department spent \$20,810 less on salt/aggregate and department wages and associated expenses stayed the same as the previous year even though pay rates increased by 1% due to the mild winter. The Mills Building expenses decreased \$19,874 since the tenants in arrears of paying their common area expenses caught up in 2012. In the Police Department, expenses increased \$52,846 due mostly to the increase in the amount spent on vehicles and equipment.

- Net position of the business-type activities increased \$11,344 (4.31%) in 2013. Net position of the business-type activities increased \$59,592 (29.29%) in 2012. The majority of this increase is due to \$50,000 budgeted for the maintenance of the wastewater plant to be expensed to the County in 2012, but this amount was not invoiced until 2013.

# **Village of Gates Mills**

## **Management's Discussion and Analysis**

### **For the Years Ended December 31, 2013 and December 31, 2012**

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#### **Using the Basic Financial Statements**

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

#### **Report Components**

The statement of net position – modified cash basis and the statement of activities – modified cash basis provide information about the cash activities of the Village as a whole.

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

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

#### **Basis of Accounting**

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

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

#### **Reporting the Village as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2013 and 2012, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

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

In the statement of net position and the statement of activities, the Village is divided into two types of activities:

**Governmental activities:** Most of the Village's basic services are reported here, including police, fire, streets, buildings, and cemetery maintenance and recreation activities. Municipal income taxes, property taxes, and state income taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-type activities:** The Village has two business-type activities, the provision of water and wastewater. The water and wastewater activities are financed by fees charged to the customers receiving the service and transfers from the General Fund.

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

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

**Governmental Funds –** Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. In 2013 and 2012, the Village's major governmental funds are the General Fund and Capital Improvement Fund.

**Proprietary Funds –** When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Wastewater funds. In this report the words "Proprietary" and "Enterprise" are interchangeable, referring to the same funds.

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

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

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#### The Village as a Whole

Table 1 provides a summary of the Village's net position for 2013, 2012, and 2011 on a modified cash basis:

Table 1  
Governmental Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,739,182	\$ 4,094,695	\$ 4,025,250
Investments	<u>-</u>	<u>300,680</u>	<u>301,020</u>
Total Assets	<u>4,739,182</u>	<u>4,395,375</u>	<u>4,326,270</u>
Net Position:			
Restricted for:			
Capital Improvement	1,337,351	1,628,141	2,137,547
Debt Service	2,730	2,730	2,730
Other Purposes	120,978	124,499	124,749
Unrestricted	<u>3,278,123</u>	<u>2,640,005</u>	<u>2,061,244</u>
Total Net Position	\$ <u>4,739,182</u>	\$ <u>4,395,375</u>	\$ <u>4,326,270</u>

Business-Type Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>274,362</u>	\$ <u>263,018</u>	\$ <u>203,426</u>
Total Assets	<u>274,362</u>	<u>263,018</u>	<u>203,426</u>
Net Position:			
Unrestricted	<u>274,362</u>	<u>263,018</u>	<u>203,426</u>
Total Net Position	\$ <u>274,362</u>	\$ <u>263,018</u>	\$ <u>203,426</u>

Net position of governmental activities increased \$343,807 or 7.82 percent during 2013 and increased \$69,105 or 1.60 percent during 2012. The primary reasons contributing to the increases in the cash balance were the Village paying off notes outstanding in 2012 and decreases in police and fire expenditures due to joining the Chagrin Valley Dispatch and renegotiating the Village's EMS contract held with Mayfield Village in 2013.

Net position of business-type activities increased \$11,344 or 4.31 percent during 2013 and increased \$59,592 or 29.29 percent during 2012. The primary reasons contributing to the increases in the cash balance were increases in sewer and water charges for services and special assessment revenue during 2012 and 2013.

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

Table 2 reflects the changes in net position on a modified cash basis in 2013, 2012 and 2011 for governmental activities.

(Table 2)  
Changes in Governmental Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 576,084	\$ 556,442	\$ 612,818
Operating Grants and Contributions	57,562	63,084	82,179
Capital Grants and Special Assessments	<u>21,000</u>	<u>5,000</u>	<u>5,745</u>
Total Program Receipts	<u>654,646</u>	<u>624,526</u>	<u>700,742</u>
General Receipts:			
Property Taxes	2,270,876	2,278,967	2,310,871
Municipal Income Taxes	1,551,855	1,650,091	1,627,549
Estate Taxes	396,281	368,231	1,316,416
Grants and Entitlements Not Restricted to Specific Programs	523,970	502,143	538,578
Proceeds from Sale of Fixed Assets	300	-	-
Notes Issued	-	-	450,000
Premium on Debt Issue	-	-	1,778
Earnings on Investments	<u>5,915</u>	<u>3,839</u>	<u>13,225</u>
Total General Receipts	<u>4,749,197</u>	<u>4,803,271</u>	<u>6,258,417</u>
Total Receipts	<u>5,403,843</u>	<u>5,427,797</u>	<u>6,959,159</u>
Disbursements:			
General Government	1,380,533	1,314,741	1,256,172
Security of Persons and Property	1,707,349	1,859,527	1,887,141
Public Health Services	9,446	14,002	15,424
Leisure Time Activities	234,541	234,400	231,173
Community Development	4,112	4,224	2,067
Basic Utility Services	33,309	48,161	51,703
Transportation	770,488	789,903	853,144
Capital Outlay	757,258	485,125	197,805
Principal Retirement	-	450,000	1,485,000
Interest and Fiscal Charges	<u>-</u>	<u>5,609</u>	<u>18,511</u>
Total Disbursements	<u>4,897,036</u>	<u>5,205,692</u>	<u>5,998,140</u>
Excess before transfers	506,807	222,105	961,019
Transfers	<u>(163,000)</u>	<u>(153,000)</u>	<u>(158,350)</u>
Change in Net Position	343,807	69,105	802,669
Net Position, January 1	<u>4,395,375</u>	<u>4,326,270</u>	<u>3,523,601</u>
Net Position, December 31	\$ <u>4,739,182</u>	\$ <u>4,395,375</u>	\$ <u>4,326,270</u>

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 688,957	\$ 661,748	\$ 645,289
Disbursements:			
Water	728,458	729,916	727,672
Sewer	<u>112,155</u>	<u>25,240</u>	<u>84,093</u>
Total Disbursements	<u>840,613</u>	<u>755,156</u>	<u>811,765</u>
Excess (Deficiency) Before Transfers	(151,656)	(93,408)	(166,476)
Transfers	<u>163,000</u>	<u>153,000</u>	<u>158,350</u>
Change in Net Position	11,344	59,592	(8,126)
Net Position, January 1	<u>263,018</u>	<u>203,426</u>	<u>211,552</u>
Net Position, December 31	\$ <u><u>274,362</u></u>	\$ <u><u>263,018</u></u>	\$ <u><u>203,426</u></u>

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

Program receipts of business-type activities are comprised of charges for services to operate water and sanitary sewer services.

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

#### ***Governmental Activities***

Program receipts of governmental activities represent only 12.11 percent in 2013 and 11.51 percent in 2012 of total governmental receipts. They are comprised of restricted or committed intergovernmental receipts, special assessments, donations and charges for cemetery lots and burial charges, rent income from Village owned buildings, cell tower, and cable franchise fees. Also included are assessments to repay the Village for the purchase of the "Mayfield School Board" property. The purchase was made from the General Fund, therefore the assessments which are being repaid over 20 years, are being recorded in the General Fund.

General receipts of governmental activities represent 87.89 percent in 2013 and 88.49 percent in 2012 of total governmental receipts. Of the Village's 2013 total governmental receipts, 42.02 percent and 28.72 percent are property and other local taxes and income taxes, respectively. Of the Village's 2012 total governmental receipts, 41.99 percent and 30.40 percent are property and other local taxes and income taxes, respectively. Unrestricted grants and entitlements constitute roughly 9.70 percent of the Village's general receipts during 2013 and roughly 9.25 percent during 2012. Other receipts are insignificant and somewhat unpredictable revenue sources.

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

#### *Governmental Activities (continued)*

Disbursements for governmental net position include General Government, which represent the overhead costs of running the Village and the support services provided for the other Village activities. These costs include the costs of legal and engineering services, property and liability insurance, as well as internal services such as payroll and purchasing. Security of persons and property are the costs of police and fire protection, EMS services and street lighting. Public health services are cemetery costs. Leisure time activities are the costs of maintaining the Village's parklands plus providing community activities such as the Halloween Party, Easter Hunt, Concert, and Art Show. Community environment is the cost of providing building inspections. Basic Utility Service is the cost of maintaining ditches, and transportation is the cost of maintaining the roads.

On the statement of activities on pages 14 and 23, the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons, which account for 28.19 and 34.86 percent of all governmental disbursements in 2013, and 25.26 and 35.72 percent of all government disbursements in 2012, respectively. Transportation also represents a significant cost, approximately 15.73 percent in 2013 and 15.17 percent in 2012, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

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

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General Government	\$ 1,380,533	\$ (890,795)	\$ 1,314,741	\$ (798,490)	\$ 1,256,172	\$ (692,035)
Security of Persons and Property	1,707,349	(1,706,524)	1,859,527	(1,857,664)	1,887,141	(1,867,514)
Public Health Services	9,446	(6,296)	14,002	(8,902)	15,424	(2,849)
Leisure Time Activities	234,541	(146,650)	234,400	(157,053)	231,173	(159,283)
Community Environment	4,112	(4,112)	4,224	(4,224)	2,067	(2,067)
Basic Utility Services	33,309	(33,309)	48,161	(48,161)	51,703	(51,703)
Transportation	770,488	(770,488)	789,903	(789,903)	853,144	(853,144)
Capital Outlay	757,258	(684,216)	485,125	(461,160)	197,805	(165,292)
Principal Retirement	-	-	450,000	(450,000)	1,485,000	(1,485,000)
Interest and Fiscal Charges	-	-	5,609	(5,609)	18,511	(18,511)
Total Expenses	\$ <u>4,897,036</u>	\$ <u>(4,242,390)</u>	\$ <u>5,205,692</u>	\$ <u>(4,581,166)</u>	\$ <u>5,998,140</u>	\$ <u>(5,297,398)</u>

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

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#### *Business-Type Activities*

The water and wastewater operations of the Village are relatively small and are supplemented by transfers from the General Fund. The major activity in the Water Fund is the payment of debt financed by assessments collected by the County Auditor. The net cost to the Village of the water and wastewater operations was \$151,656 for 2013 and \$93,408 for 2012.

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

In 2013, total governmental funds, excluding transfers and advances, had receipts of \$5,403,843 and disbursements of \$4,897,036. The most significant change within governmental funds occurred within the General fund and Capital Improvement fund. The General fund balance increased \$638,118 mostly as the result of a decrease in expenditures in the police and the fire departments. The Capital Improvement fund decreased \$290,790 due to the reduction in estate tax income received during the year. By ordinance, estate tax is posted to the General fund and is immediately transferred to the Capital Improvement fund. The Village averaged estate tax income of \$1,000,000 per year in prior years; however in 2013, the estate tax income was \$396,281. Estate tax was eliminated January 1, 2013; therefore the future income from this source will be from those estates finalized in late 2012 or from those estates with filing extensions.

In 2012, total governmental funds, excluding transfers and advances, had receipts of \$5,427,797 and disbursements of \$5,205,692. The greatest change within governmental funds occurred within the General fund and Capital Improvement fund. The General fund balance increased \$578,761 mostly as the result of a decrease in expenditures in the service and the fire departments. The Capital Improvement fund decreased \$509,406 due to the reduction in estate tax income received during the year.

#### **General Fund Budgeting Highlights**

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

In 2013, the Village amended its General fund budget to reflect changing circumstances. Final total budgeted receipts were \$347,848 (7.65%) more than originally expected. This increase is due mostly to the Village receiving \$115,384 more in property tax revenue and \$117,412 more in intergovernmental revenues than originally budgeted. Final total budgeted disbursements were \$147,313 (3.93%) less than originally expected. This decrease relates mostly to \$79,247 less in police and fire expenditures than originally budgeted.

In 2012, the Village amended its General fund budget to reflect changing circumstances. Final total budgeted receipts were \$333,910 (7.29%) more than originally expected. This increase is due mostly to the Village receiving \$279,431 more in municipal income tax revenue than originally budgeted. Final total budgeted disbursements were \$199,146 (5.09%) less than originally expected. This decrease relates mostly to \$128,602 less in transportation expenditures than originally budgeted.

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2013 and December 31, 2012

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#### Capital Assets and Debt

The Village maintains a listing of its capital assets and infrastructure. It is updated by Industrial Appraisal Company annually.

As of December 31, 2013, the Village's outstanding principal on all loans and notes was \$3,251,077. See details in the Notes 11 and 12 to the financial statements. Of this amount:

- \$2,608,457 is for two loans with the Ohio Water Development Authority (OWDA) that are secured by assessments. These loans were for a water project which began in 1995.
- \$498,320 is for a non-interest bearing loan with the Ohio Public Works Commission (OPWC), also for the water project.
- \$144,300 is for a non-interest bearing loan with OPWC for a wastewater project.

As of December 31, 2012, the Village's outstanding principal on all loans and notes was \$3,791,310. See details in the Notes 11 and 12 to the financial statements. Of this amount:

- \$3,046,398 is for two loans with the Ohio Water Development Authority (OWDA) that are secured by assessments. These loans were for a water project which began in 1995.
- \$581,372 is for a non-interest bearing loan with the Ohio Public Works Commission (OPWC), also for the water project.
- \$163,540 is for a non-interest bearing loan with OPWC for a wastewater project.

#### Current Issues

During 2012, the Village renegotiated their EMS service contract held with Mayfield Village that became effective on January 1, 2013. The renegotiated contract provides the Village to pay \$1,250 for each ambulance run made during the year. Additionally, the contract states the Village will not exceed \$175,000 in payments per year despite the number of ambulance runs made during the year. By renegotiating this contract, the Village decreased the EMS service expenses by \$145,845 from 2012, which is a 48% decrease from the prior year.

Great effort was made in 2013 to find a health insurance carrier for a reasonable cost. After comparing several plans, the wage and benefit committee decided to continue with Aetna, but with a higher deductible and out-of-pocket expense. The coverage selected was inferior to what was previously offered; Aetna increased the price of the current plan by 30 percent. The alternate plan chosen was an increase of 10 percent over 2012. The Village will help the employees by paying part of the out-of-pocket charges. The Village will continue to research other avenues to help with the cost to both the Village and the employees.

More thought and research is being given to the collaboration of services with local communities. During 2013, the Village joined the Chagrin Valley Dispatch Council, which is discussed in further detail at Note 13. The Village is attempting to collaborate with local communities for fire services as well, but no interest has been shown at this time. The Village will continue to weigh alternatives and collaborate services with other communities where it can.

# **Village of Gates Mills**

## **Management's Discussion and Analysis**

### **For the Years Ended December 31, 2013 and December 31, 2012**

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The Budget and Finance Committees continue to monitor the cash balance of the Village. Department heads are encouraged to try to do more projects in house, if cost efficient. Also, they are asked to cut costs in areas that would not affect the health, safety, and welfare of the residents.

The discontinuance of the Ohio estate tax effective as of January 1, 2013 is a very intense concern for the Village. In the past, these funds provided a majority of the capital used for repair and replacement of Village roads and culverts. The Village received \$1,316,416 in 2011, \$368,231 in 2012 and \$396,281 in 2013. There is some income expected in 2014 due to estate extensions filed. However, the Village does not expect further estate tax income after 2014.

Additionally, the State's phase out of the real property tax rollbacks is concerning the Village administration. The new law says that the ten percent and two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. These non-qualifying levies include any additional levies, the increase portion of any renewal levy that contains an increase, and the full effective millage of replacement levies. With the loss of estate tax revenue, it appears the Village may need to propose a new levy in the next few years and without the real property tax rollbacks; the additional levies proposed will cost the residents more and will be more difficult to pass. It is important to remember that there are no industries to support the Village's tax base. The income from the outside levies is fixed. The goal is to provide quality services to the public while staying within the restrictions imposed by limited funding.

#### **Contacting the Village's Financial Management**

This financial report is designed to provide the citizens, taxpayers, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jo Ann Lechman, Finance Administrator, Village of Gates Mills Town Hall, 1470 Chagrin River Road, Gates Mills, Ohio 44040.

# Village of Gates Mills

## Statement of Net Position – Modified Cash Basis

**December 31, 2013**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,739,182</u>	\$ <u>274,362</u>	\$ <u>5,013,544</u>
<b>Net Position</b>			
Restricted for:			
Capital Improvement	\$ 1,337,351	\$ -	\$ 1,337,351
Debt Service	2,730	-	2,730
Other Purposes	120,978	-	120,978
Unrestricted	<u>3,278,123</u>	<u>274,362</u>	<u>3,552,485</u>
Total Net Position	\$ <u>4,739,182</u>	\$ <u>274,362</u>	\$ <u>5,013,544</u>

The accompanying notes are an integral part of these basic financial statements

# Village of Gates Mills

## Statement of Activities – Modified Cash Basis

**For the Year Ended December 31, 2013**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 1,380,533	\$ 489,738	\$ -	\$ -
Security of Persons and Property	1,707,349	-	825	-
Public Health Services	9,446	3,050	100	-
Leisure Time Activities	234,541	10,254	56,637	21,000
Community Environment	4,112	-	-	-
Basic Utility Services	33,309	-	-	-
Transportation	770,488	-	-	-
Capital Outlay	<u>757,258</u>	<u>73,042</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>4,897,036</u>	<u>576,084</u>	<u>57,562</u>	<u>21,000</u>
<b>Business-Type Activities</b>				
Water	728,458	675,480	-	-
Wastewater	<u>112,155</u>	<u>13,477</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>840,613</u>	<u>688,957</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,737,649</u>	<u>\$ 1,265,041</u>	<u>\$ 57,562</u>	<u>\$ 21,000</u>

### General Receipts

Property Taxes Levied for:

General Purposes

Police Pension

Conservation

Municipal Income Taxes

Estate Tax

Grants and Entitlements not

Restricted to Specific Programs

Sale of Capital Assets

Earnings on Investments

Transfers

Total General Receipts and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

The accompanying notes are an integral part of these basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (890,795)	\$ -	\$ (890,795)
(1,706,524)	-	(1,706,524)
(6,296)	-	(6,296)
(146,650)	-	(146,650)
(4,112)	-	(4,112)
(33,309)	-	(33,309)
(770,488)	-	(770,488)
<u>(684,216)</u>	<u>-</u>	<u>(684,216)</u>
<u>(4,242,390)</u>	<u>-</u>	<u>(4,242,390)</u>
-	(52,978)	(52,978)
<u>-</u>	<u>(98,678)</u>	<u>(98,678)</u>
<u>-</u>	<u>(151,656)</u>	<u>(151,656)</u>
<u>(4,242,390)</u>	<u>(151,656)</u>	<u>(4,394,046)</u>
2,044,097	-	2,044,097
52,334	-	52,334
174,445	-	174,445
1,551,855	-	1,551,855
396,281	-	396,281
523,970	-	523,970
300	-	300
5,915	-	5,915
<u>(163,000)</u>	<u>163,000</u>	<u>-</u>
<u>4,586,197</u>	<u>163,000</u>	<u>4,749,197</u>
343,807	11,344	355,151
<u>4,395,375</u>	<u>263,018</u>	<u>4,658,393</u>
\$ <u>4,739,182</u>	\$ <u>274,362</u>	\$ <u>5,013,544</u>

# Village of Gates Mills

## Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds

**December 31, 2013**

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	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,289,123</u>	\$ <u>1,337,351</u>	\$ <u>112,708</u>	\$ <u>4,739,182</u>
<b>Fund Balances</b>				
Restricted	\$ -	\$ -	\$ 109,236	\$ 109,236
Committed	11,000	1,337,351	3,472	1,351,823
Unassigned	<u>3,278,123</u>	<u>-</u>	<u>-</u>	<u>3,278,123</u>
Total Fund Balances	\$ <u>3,289,123</u>	\$ <u>1,337,351</u>	\$ <u>112,708</u>	\$ <u>4,739,182</u>

The accompanying notes are an integral part of these basic financial statements

## Village of Gates Mills

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

**For the Year Ended December 31, 2013**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Municipal Income Taxes	\$ 1,551,855	\$ -	\$ -	\$ 1,551,855
Property Taxes	2,044,097	-	226,779	2,270,876
Intergovernmental	777,551	-	143,525	921,076
Special Assessments	24,155	-	-	24,155
Charges for Services	394,558	48,887	13,304	456,749
Fines, Licenses and Permits	95,180	-	-	95,180
Earnings on Investments	5,793	-	122	5,915
Miscellaneous	-	21,000	56,737	77,737
Total Receipts	<u>4,893,189</u>	<u>69,887</u>	<u>440,467</u>	<u>5,403,543</u>
<b>Disbursements</b>				
General Government	1,315,611	-	64,922	1,380,533
Security of Persons and Property	1,561,268	-	146,081	1,707,349
Public Health Services	-	-	9,446	9,446
Leisure Time Activities	23,260	-	211,281	234,541
Community Environment	4,112	-	-	4,112
Basic Utility Services	33,309	-	-	33,309
Transportation	659,117	-	111,371	770,488
Capital Outlay	-	757,258	-	757,258
Total Disbursements	<u>3,596,677</u>	<u>757,258</u>	<u>543,101</u>	<u>4,897,036</u>
Excess of Receipts Over (Under) Disbursements	<u>1,296,512</u>	<u>(687,371)</u>	<u>(102,634)</u>	<u>506,507</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	-	300	-	300
Transfers – In	187	396,281	99,300	495,768
Transfers – Out	(658,581)	-	(187)	(658,768)
Total Other Financing Sources (Uses)	<u>(658,394)</u>	<u>396,581</u>	<u>99,113</u>	<u>(162,700)</u>
Net Change in Fund Balances	638,118	(290,790)	(3,521)	343,807
Fund Balances Beginning of Year	<u>2,651,005</u>	<u>1,628,141</u>	<u>116,229</u>	<u>4,395,375</u>
Fund Balances End of Year	\$ <u>3,289,123</u>	\$ <u>1,337,351</u>	\$ <u>112,708</u>	\$ <u>4,739,182</u>

The accompanying notes are an integral part of these basic financial statements

## Village of Gates Mills

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

**For the Year Ended December 31, 2013**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$ 1,504,478	\$ 1,551,855	\$ 1,551,855	\$ -
Property Taxes	1,928,713	2,044,097	2,044,097	-
Intergovernmental	660,139	777,551	777,551	-
Special Assessments	21,513	24,155	24,155	-
Charges for Services	357,313	394,558	394,558	-
Fines, Licenses and Permits	68,541	95,180	95,180	-
Earnings on Investments	4,644	5,793	5,793	-
Total Receipts	<u>4,545,341</u>	<u>4,893,189</u>	<u>4,893,189</u>	<u>-</u>
<b>Disbursements</b>				
General Government	1,326,180	1,315,611	1,315,611	-
Security of Persons and Property	1,640,515	1,561,268	1,561,268	-
Leisure Time Activities	20,700	23,260	23,260	-
Community Environment	4,000	4,112	4,112	-
Basic Utility Services	40,820	33,309	33,309	-
Transportation	711,775	659,117	659,117	-
Total Disbursements	<u>3,743,990</u>	<u>3,596,677</u>	<u>3,596,677</u>	<u>-</u>
Excess of Receipts Over Disbursements	<u>801,351</u>	<u>1,296,512</u>	<u>1,296,512</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	187	187	187	-
Transfers Out	(606,000)	(658,581)	(658,581)	-
Total Other Financing Sources (Uses)	<u>(605,813)</u>	<u>(658,394)</u>	<u>(658,394)</u>	<u>-</u>
Net Change in Fund Balance	195,538	638,118	638,118	-
Fund Balance Beginning of Year	<u>2,640,005</u>	<u>2,640,005</u>	<u>2,640,005</u>	<u>-</u>
Fund Balance End of Year	\$ <u>2,835,543</u>	\$ <u>3,278,123</u>	\$ <u>3,278,123</u>	\$ <u>-</u>

The accompanying notes are an integral part of these basic financial statements

**Village of Gates Mills**

**Statement of Fund Net Position – Modified Cash Basis  
Proprietary Funds**

**December 31, 2013**

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	<u>Business-Type Activities</u>		
	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ <u>9,997</u>	\$ <u>264,365</u>	\$ <u>274,362</u>
<b>Net Position</b>			
Unrestricted	\$ <u>9,997</u>	\$ <u>264,365</u>	\$ <u>274,362</u>

The accompanying notes are an integral part of these basic financial statements

## Village of Gates Mills

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

**For the Year Ended December 31, 2013**

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
<b>Operating Receipts</b>			
Charges for Services	\$ <u>13,477</u>	\$ <u>47,841</u>	\$ <u>61,318</u>
<b>Operating Disbursements</b>			
Contractual Services	91,792	20,411	112,203
Supplies and Materials	<u>1,123</u>	<u>-</u>	<u>1,123</u>
Total Operating Disbursements	<u>92,915</u>	<u>20,411</u>	<u>113,326</u>
Operating Income (Loss)	<u>(79,438)</u>	<u>27,430</u>	<u>(52,008)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	-	627,639	627,639
Principal Retirement	(19,240)	(520,993)	(540,233)
Interest and Fiscal Charges	<u>-</u>	<u>(187,054)</u>	<u>(187,054)</u>
Total Non-Operating Receipts (Disbursements)	<u>(19,240)</u>	<u>(80,408)</u>	<u>(99,648)</u>
Loss before Transfers	(98,678)	(52,978)	(151,656)
Transfers	<u>63,000</u>	<u>100,000</u>	<u>163,000</u>
Change in Net Position	(35,678)	47,022	11,344
Net Position Beginning of Year	<u>45,675</u>	<u>217,343</u>	<u>263,018</u>
Net Position End of Year	\$ <u><u>9,997</u></u>	\$ <u><u>264,365</u></u>	\$ <u><u>274,362</u></u>

The accompanying notes are an integral part of these basic financial statements

**Village of Gates Mills**

**Statement of Fiduciary Net Position – Modified Cash Basis  
Fiduciary Funds**

**December 31, 2013**

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>109,863</u>
<b>Net Position</b>	
Held in Trust for Building Deposits	\$ <u>109,863</u>

The accompanying notes are an integral part of these basic financial statements

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# Village of Gates Mills

## Statement of Net Position – Modified Cash Basis

**December 31, 2012**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,094,695	\$ 263,018	\$ 4,357,713
Investments	<u>300,680</u>	<u>-</u>	<u>300,680</u>
Total Assets	\$ <u>4,395,375</u>	\$ <u>263,018</u>	\$ <u>4,658,393</u>
<b>Net Position</b>			
Restricted for:			
Capital Improvement	\$ 1,628,141	\$ -	\$ 1,628,141
Debt Service	2,730	-	2,730
Other Purposes	124,499	-	124,499
Unrestricted	<u>2,640,005</u>	<u>263,018</u>	<u>2,903,023</u>
Total Net Position	\$ <u>4,395,375</u>	\$ <u>263,018</u>	\$ <u>4,658,393</u>

The accompanying notes are an integral part of these basic financial statements

# Village of Gates Mills

## Statement of Activities – Modified Cash Basis

**For the Year Ended December 31, 2012**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 1,314,741	\$ 516,251	\$ -	\$ -
Security of Persons and Property	1,859,527	-	1,863	-
Public Health Services	14,002	5,100	-	-
Leisure Time Activities	234,400	11,126	61,221	5,000
Community Environment	4,224	-	-	-
Basic Utility Services	48,161	-	-	-
Transportation	789,903	-	-	-
Capital Outlay	485,125	23,965	-	-
Principal Retirement	450,000	-	-	-
Interest and Fiscal Charges	5,609	-	-	-
Total Governmental Activities	<u>5,205,692</u>	<u>556,442</u>	<u>63,084</u>	<u>5,000</u>
<b>Business-Type Activities</b>				
Water	729,916	653,863	-	-
Wastewater	25,240	7,885	-	-
Total Business-Type Activities	<u>755,156</u>	<u>661,748</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,960,848</u>	<u>\$ 1,218,190</u>	<u>\$ 63,084</u>	<u>\$ 5,000</u>

### General Receipts

Property Taxes Levied for:

    General Purposes

    Police Pension

    Conservation

Municipal Income Taxes

Estate Tax

Grants and Entitlements not

    Restricted to Specific Programs

Earnings on Investments

Transfers

    Total General Receipts and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

The accompanying notes are an integral part of these basic financial statements

Net (Disbursements ) Receipts and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (798,490)	\$ -	\$ (798,490)
(1,857,664)	-	(1,857,664)
(8,902)	-	(8,902)
(157,053)	-	(157,053)
(4,224)	-	(4,224)
(48,161)	-	(48,161)
(789,903)	-	(789,903)
(461,160)	-	(461,160)
(450,000)	-	(450,000)
<u>(5,609)</u>	<u>-</u>	<u>(5,609)</u>
<u>(4,581,166)</u>	<u>-</u>	<u>(4,581,166)</u>
-	(76,053)	(76,053)
<u>-</u>	<u>(17,355)</u>	<u>(17,355)</u>
<u>-</u>	<u>(93,408)</u>	<u>(93,408)</u>
<u>(4,581,166)</u>	<u>(93,408)</u>	<u>(4,674,574)</u>
2,046,817	-	2,046,817
53,573	-	53,573
178,577	-	178,577
1,650,091	-	1,650,091
368,231	-	368,231
502,143	-	502,143
3,839	-	3,839
<u>(153,000)</u>	<u>153,000</u>	<u>-</u>
<u>4,650,271</u>	<u>153,000</u>	<u>4,803,271</u>
69,105	59,592	128,697
<u>4,326,270</u>	<u>203,426</u>	<u>4,529,696</u>
\$ <u>4,395,375</u>	\$ <u>263,018</u>	\$ <u>4,658,393</u>

# Village of Gates Mills

## Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds

**December 31, 2012**

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	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash				
Equivalents	\$ 2,350,325	\$ 1,628,141	\$ 116,229	\$ 4,094,695
Investments	<u>300,680</u>	<u>-</u>	<u>-</u>	<u>300,680</u>
Total Assets	\$ <u>2,651,005</u>	\$ <u>1,628,141</u>	\$ <u>116,229</u>	\$ <u>4,395,375</u>
<b>Fund Balances</b>				
Restricted	\$ -	\$ -	\$ 106,782	\$ 106,782
Committed	11,000	1,628,141	9,447	1,648,588
Unassigned	<u>2,640,005</u>	<u>-</u>	<u>-</u>	<u>2,640,005</u>
Total Fund Balances	\$ <u>2,651,005</u>	\$ <u>1,628,141</u>	\$ <u>116,229</u>	\$ <u>4,395,375</u>

The accompanying notes are an integral part of these basic financial statements

## Village of Gates Mills

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

**For the Year Ended December 31, 2012**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Municipal Income Taxes	\$ 1,650,091	\$ -	\$ -	\$ 1,650,091
Property Taxes	2,046,817	-	232,150	2,278,967
Intergovernmental	726,434	-	145,803	872,237
Special Assessments	23,965	-	-	23,965
Charges for Services	387,821	52,488	16,226	456,535
Fines, Licenses and Permits	75,942	-	-	75,942
Earnings on Investments	3,676	-	163	3,839
Miscellaneous	-	5,000	61,221	66,221
<b>Total Receipts</b>	<u>4,914,746</u>	<u>57,488</u>	<u>455,563</u>	<u>5,427,797</u>
<b>Disbursements</b>				
General Government	1,259,378	-	55,363	1,314,741
Security of Persons and Property	1,706,262	-	153,265	1,859,527
Public Health Services	-	-	14,002	14,002
Leisure Time Activities	20,314	-	214,086	234,400
Community Environment	4,224	-	-	4,224
Basic Utility Services	48,161	-	-	48,161
Transportation	672,806	-	117,097	789,903
Capital Outlay	-	485,125	-	485,125
Debt Service:				
Principal Retirement	-	450,000	-	450,000
Interest and Fiscal Charges	5,609	-	-	5,609
<b>Total Disbursements</b>	<u>3,716,754</u>	<u>935,125</u>	<u>553,813</u>	<u>5,205,692</u>
Excess of Receipts Over (Under) Disbursements	<u>1,197,992</u>	<u>(877,637)</u>	<u>(98,250)</u>	<u>222,105</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	368,231	98,000	466,231
Transfers Out	(619,231)	-	-	(619,231)
<b>Total Other Financing Sources (Uses)</b>	<u>(619,231)</u>	<u>368,231</u>	<u>98,000</u>	<u>(153,000)</u>
Net Change in Fund Balances	578,761	(509,406)	(250)	69,105
Fund Balances Beginning of Year	<u>2,072,244</u>	<u>2,137,547</u>	<u>116,479</u>	<u>4,326,270</u>
Fund Balances End of Year	\$ <u><u>2,651,005</u></u>	\$ <u><u>1,628,141</u></u>	\$ <u><u>116,229</u></u>	\$ <u><u>4,395,375</u></u>

The accompanying notes are an integral part of these basic financial statements

# Village of Gates Mills

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

**For the Year Ended December 31, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$ 1,370,660	\$ 1,650,091	\$ 1,650,091	\$ -
Property Taxes	2,031,606	2,046,817	2,046,817	-
Intergovernmental	710,883	726,434	726,434	-
Special Assessments	19,574	23,965	23,965	-
Charges for Services	340,629	387,821	387,821	-
Fines, Licenses and Permits	95,050	75,942	75,942	-
Earnings on Investments	12,434	3,676	3,676	-
<b>Total Receipts</b>	<u>4,580,836</u>	<u>4,914,746</u>	<u>4,914,746</u>	<u>-</u>
<b>Disbursements</b>				
General Government	1,325,051	1,264,987	1,264,987	-
Security of Persons and Property	1,732,438	1,706,262	1,706,262	-
Leisure Time Activities	14,308	20,314	20,314	-
Community Environment	2,064	4,224	4,224	-
Basic Utility Services	40,631	48,161	48,161	-
Transportation	801,408	672,806	672,806	-
<b>Total Disbursements</b>	<u>3,915,900</u>	<u>3,716,754</u>	<u>3,716,754</u>	<u>-</u>
Excess of Receipts Over Disbursements	664,936	1,197,992	1,197,992	-
<b>Other Financing (Uses)</b>				
Transfers Out	<u>(599,000)</u>	<u>(619,231)</u>	<u>(619,231)</u>	<u>-</u>
Net Change in Fund Balance	65,936	578,761	578,761	-
Fund Balance Beginning of Year	<u>2,061,244</u>	<u>2,061,244</u>	<u>2,061,244</u>	<u>-</u>
Fund Balance End of Year	\$ <u><u>2,127,180</u></u>	\$ <u><u>2,640,005</u></u>	\$ <u><u>2,640,005</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these basic financial statements

**Village of Gates Mills**

**Statement of Fund Net Position– Modified Cash Basis  
Proprietary Funds**

**December 31, 2012**

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	<u>Business-Type Activities</u>		
	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ <u>45,675</u>	\$ <u>217,343</u>	\$ <u>263,018</u>
<b>Net Position</b>			
Unrestricted	\$ <u>45,675</u>	\$ <u>217,343</u>	\$ <u>263,018</u>

The accompanying notes are an integral part of these basic financial statements

## Village of Gates Mills

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

**For the Year Ended December 31, 2012**

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
<b>Operating Receipts</b>			
Charges for Services	\$ <u>7,885</u>	\$ <u>34,172</u>	\$ <u>42,057</u>
<b>Operating Disbursements</b>			
Contractual Services	<u>6,000</u>	<u>21,869</u>	<u>27,869</u>
Operating Income	<u>1,885</u>	<u>12,303</u>	<u>14,188</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	-	619,691	619,691
Principal Retirement	(19,240)	(495,421)	(514,661)
Interest and Fiscal Charges	<u>-</u>	<u>(212,626)</u>	<u>(212,626)</u>
Total Non-Operating Receipts (Disbursements)	<u>(19,240)</u>	<u>(88,356)</u>	<u>(107,596)</u>
Loss before Transfers	(17,355)	(76,053)	(93,408)
Transfers	<u>63,000</u>	<u>90,000</u>	<u>153,000</u>
Change in Net Position	45,645	13,947	59,592
Net Position Beginning of Year	<u>30</u>	<u>203,396</u>	<u>203,426</u>
Net Position End of Year	\$ <u><u>45,675</u></u>	\$ <u><u>217,343</u></u>	\$ <u><u>263,018</u></u>

The accompanying notes are an integral part of these basic financial statements

**Village of Gates Mills**

**Statement of Fiduciary Net Position – Modified Cash Basis  
Fiduciary Funds**

**December 31, 2012**

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>99,427</u>
<b>Net Position</b>	
Held in Trust for Building Deposits	\$ <u>99,427</u>

The accompanying notes are an integral part of these basic financial statements

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# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

The Village of Gates Mills, 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 and the Village Charter dated November 1972.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the Village and presides at Council meetings. The Mayor is the chief conservator of the peace and oversees the enforcement of all laws and ordinances. The Mayor also appoints, with Council approval, all department heads, and together with the Clerk or Treasurer, executes all contracts, conveyances, and evidences of indebtedness of the Village.

Legislative authority is vested in a seven member council with all seven members elected at large for a term of four years. Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading.

#### A. Primary Government

The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government provides the following services to its citizens: police and fire protection, EMS, recreation, planning, zoning, street maintenance and repair, recycling, and general administrative services.

#### B. Public Risk Pools and Jointly Governed Organizations

The Village participates in public entity risk pools and jointly governed organizations. These organizations are presented in Notes 8 and 13 to the financial statements.

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

#### **Note 2: Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. Following are the more significant of the Village’s accounting policies.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

##### A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. All of the above noted statements are presented on the modified cash basis.

##### Government-wide Financial Statements

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

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

Proprietary fund statements distinguish operating transaction 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 fund statements report all other receipts and disbursements as non-operating.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

##### 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.

##### 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.

**Capital Improvement Fund** – This fund is used to maintain funds received and expensed for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village as deemed necessary by Village Council. Sources of funds include royalties from Village owned gas wells, sale of capital assets, advances and transfers.

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 enterprise. 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 proprietary funds are the Water and the Wastewater Funds.

**Water Fund** – This fund receives cash from loans, bonds (including bond anticipation notes), fund transfers, assessments and connection (tap-in) charges. Expenditures include construction expenses, operation expenses, debt service charges on related bonds and notes, and repayment of other obligations entered into by the Village in connection with the water improvement projects.

**Wastewater Fund** – This fund tracks revenues and expenditures related the Wastewater Plant. This fund receives cash from grants, loans, fund transfers, and usage fees. Expenditures include all costs related to installing and maintaining the wastewater plant lines and service connections. This includes legal fees, engineering fees, construction costs, administration costs, operating costs and repayment of loans and bonds issued.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

##### 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 agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency fund accounts for building bond deposits from various contractors, developers or individuals to ensure compliance with various Village ordinances.

##### C. Basis of Accounting

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

As a result of the use of this modified 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 expenses and liabilities) are not recorded in these financial statements.

##### D. Budgetary Process

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets 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 Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

##### D. Budgetary Process (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by 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 2013, the Village invested in a money market fund, State Treasury Asset Reserve of Ohio (STAR Ohio) and STAR Ohio Plus. The money market fund is recorded at the amount reported by Key Bank at December 31, 2013.

During 2012, the Village invested in a money market fund, U.S. Treasury Notes, STAR Ohio and STAR Ohio Plus. The U.S. Treasury Notes are reported at cost. The money market fund is recorded at the amount reported by Key Bank at December 31, 2012.

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. STAR Ohio Plus is endorsed by the Treasurer of Ohio. This program leverages the safety of Federal Deposit Insurance Corporation (FDIC) insurance with the convenience of a single account, while offering competitive yields. Investments in STAR Ohio and STAR Ohio Plus are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2013 and December 31, 2012.

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 2013 was \$5,793. Interest receipts credited to the General Fund during 2012 was \$3,676.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

##### F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

##### 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 advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

##### 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 modified 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 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

##### L. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing sources nor capital outlay expenditures are reported at inception. Lease payments are reported when paid. The Village had no lease payments in 2013 or 2012.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

##### M. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for other purposes include police pension, law enforcement receipts (confiscated items, drug fines, etc.), and land conservation.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted resources are 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. The Village does not have any nonspendable fund balances.

**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 external parties, such as citizen's public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

In 2013, the Village's restricted funds were Street Construction Maintenance and Repair (SCMR) fund, State Highway fund, Law Enforcement fund for drug and alcohol education and enforcement, Police and Fire Pension fund, Land Conservation fund, Vest Grant fund, Purcell fund for beautification, Storer fund for specific projects, and Debt Service fund.

In 2012, the Village's restricted funds were Street Construction Maintenance and Repair (SCMR) fund, State Highway fund, Law Enforcement fund for drug and alcohol education and enforcement, Police and Fire Pension fund, Land Conservation fund, Vest Grant fund, State Grant fund, Federal Grant fund, Purcell fund for beautification, Storer fund for specific projects, and Debt Service fund.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

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

In 2013, the Village's committed funds were Underground Storage Tank fund to be used to pay the deductible if there is a claim, Park Recreation fund, Cemetery fund, Mayor's Discretionary fund, and Capital Improvement fund.

In 2012, the Village's committed funds were Underground Storage Tank fund to be used to pay the deductible if there is a claim, Park Recreation fund, Cemetery fund, Mayor's Discretionary fund, and Capital Improvement fund.

**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.

In 2013 and 2012, the Village had no assigned funds.

**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.

In 2013 and 2012, the General fund was the only fund that was unassigned.

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.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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

##### O. Interfund Transactions

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

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 source/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

#### **Note 3: Change in Accounting Principle**

For the year ended December 31, 2012, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature.

GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village's 2012 financial statements; however there was no effect on beginning net position/fund balance.

#### **Note 4: Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements, and changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). There were no outstanding year end encumbrances or advances as of December 31, 2013 and December 31, 2012.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 5: Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury.

Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdraw able 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 (August 22, 2016), 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.

Pursuant to the Village's investment policy, interim monies held by the Village can be deposited or invested in the following securities:

1. U.S. Treasury Bills, Notes, and Bonds maturing five years from date of settlement unless the investment is matched to a specific obligation or debt of the Village, the investment is specifically approved by Council, and it will be held until its maturity.
2. Certificates of Deposit from eligible institutions.
3. No more than 25% of investment funds in no-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined under 135.35 ORC.
4. Repurchase agreements for no more than 30 days with any eligible institution mentioned in Section 135.32 ORC. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase amount by at least 2%.
5. The State Treasurer's Investment Pool (STAR Ohio).
6. STAR Plus Cash Management Program endorsed by the Ohio Treasurer of State.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### Note 5: Deposits and Investments (continued)

##### 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.

As of December 31, 2013, \$420,583 of the Village's bank balance of \$532,075 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name. As of December 31, 2012, the Village's bank balance of \$476,086 was not exposed to custodial credit risk as those deposits were fully insured by the financial institution.

The Village has no deposit policy for custodial risk beyond the requirements of state statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured.

##### Investments

As of December 31, 2013, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity (Days)</u>
Money Market	\$ 37,207	1
STAR Ohio Plus	3,608,124	53
STAR Ohio	<u>946,001</u>	53
Total Investments	4,591,332	
Demand Deposits	<u>532,075</u>	
Total Equity in Pooled Cash And Cash Equivalents	\$ <u><u>5,123,407</u></u>	

As of December 31, 2012, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity (Days)</u>
Money Market	\$ 34,101	1
STAR Ohio Plus	3,000,972	55
STAR Ohio	945,981	55
U.S. Treasury Notes	<u>300,680</u>	319
Total Investments	4,281,734	
Demand Deposits	<u>476,086</u>	
Total Equity in Pooled Cash And Cash Equivalents	\$ <u><u>4,757,820</u></u>	

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 5: Deposits and Investments (continued)**

**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. While the Village's investment policy does not address interest rate risk, the Village's investment portfolio is structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments as reflected in the above table, 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** The Money Market fund carries a rating of Aaa by Moody's and STAR Ohio, which includes STAR Ohio Plus, carries a rating of AAAM by Standards and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements of 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 fund be rated the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Village must meet a set of standards prescribed by Ohio Revised Code Chapter 135 and be periodically reviewed.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investment to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Concentration of Credit Risk** is defined by GASB as five percent or more in the securities of a single issuer. The Village's investment policy provides for diversification of the portfolio but does not indicate specific percentage allocations. The following is the Village's allocation of total investments as of December 31, 2013:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Key Bank	0.81 %
STAR Ohio	20.60 %
STAR Ohio Plus	78.59 %

The following is the Village's allocation of total investments as of December 31, 2012:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
US Treasury Notes	7.02 %
Key Bank	0.80 %
STAR Ohio	22.09 %
STAR Ohio Plus	70.09 %

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 6: Income Taxes**

The Village levies a municipal income tax of one percent (before credit) 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. All income taxes received are placed in the General Fund.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's tax collection agent, the Central Collection Agency, monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

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

Property taxes include amounts levied against all real property, and public utility property located in the Village. Real property tax receipts received in 2013 (2012) represents the collection of 2012 (2011) taxes. Real property taxes received in 2013 (2012) were levied after October 1, 2012 (2011), on the assessed values as of January 1, 2012 (2011), the lien date. Assessed values for real property taxes are established by state statute at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due mid-January, with the remainder payable by mid-July. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2013 (2012) represents 2012 (2011) collections. Public utility real and tangible property taxes received in 2013 (2012) became a lien on December 31, 2012 (2011), are levied after October 1, 2013 (2012), and are collected in 2014 (2013) with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2013 (2012), was \$14.40 (\$14.40) per \$1,000 of market value as assigned by the County Fiscal Officer. The assessed values of real property and public utility tangible property upon which 2013 (2012) property tax receipts were based are as follows:

	<u>2013</u>	<u>2012</u>
Real Property:		
Residential/Agricultural	\$ 194,474,370	\$ 201,358,730
Commercial/Industrial/Mineral	3,812,810	4,201,270
Tangible Personal Property:		
Public Utility	<u>2,210,790</u>	<u>2,001,170</u>
Total Assessed Value	<u>\$ 200,497,970</u>	<u>\$ 207,561,170</u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Fiscal Officer periodically remits to the Village its portion of the taxes collected.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 8: Risk Management**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village's comprehensive property and casualty insurance program is with Selective Insurance Company during 2013 is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Blanket Property and Contents	\$ 10,536,519	\$ 1,000
Inland Marine	467,826	1,000
General Liability	1,000,000	-
Automobile Liability	1,000,000	500
Public Officials Liability	1,000,000	5,000
Police Professional Liability	1,000,000	5,000
Employment Practice Liability	1,000,000	5,000
Computer – Hardware	100,000	250
Computer – Software	100,000	250
Public Employee Dishonesty	1,000,000	25,000
Money and Securities	25,000	2,500
Umbrella over General Liability, Automobile, Law Enforcement, Public Officials, Employment Practices	10,000,000	-

The Village's comprehensive property and casualty insurance program is with Selective Insurance Company during 2012 is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Blanket Property and Contents	\$ 10,149,130	\$ 1,000
Inland Marine	467,826	1,000
General Liability	1,000,000	-
Automobile Liability	1,000,000	500
Public Officials Liability	1,000,000	5,000
Police Professional Liability	1,000,000	5,000
Employment Practice Liability	1,000,000	5,000
Computer – Hardware	100,000	250
Computer – Software	100,000	250
Public Employee Dishonesty	1,000,000	25,000
Money and Securities	25,000	2,500
Umbrella over General Liability, Automobile, Law Enforcement, Public Officials, Employment Practices	10,000,000	-

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

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 8: Risk Management (continued)**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions, and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. The annual enrollment fee paid in 2013 was \$3,375 and the estimated savings was \$14,059. The annual enrollment fee paid in 2012 was \$3,275 and the estimated savings was \$13,371.

The Village provides health and dental insurance to full-time employees through Aetna, a private carrier. The family, employee plus spouse, employee plus child(ren), and single monthly premiums in 2013 were \$1,988, \$1,369, \$1,256, and \$674, respectively, for medical and dental. The family, employee plus spouse, employee plus child(ren), and single monthly premiums in 2012 were \$1,795, \$1,230, \$1,140, and \$608, respectively, for medical and dental. The employees pay 6% of the premiums by payroll deduction.

#### **Note 9: Defined Benefit Pension Plans**

##### **A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans.

The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan.

The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 9: Defined Benefit Pension Plans (continued)**

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2013 and December 31, 2012, the member and employer contribution rates were consistent across all three plans.

For the years ended December 31, 2013 and December 31, 2012, the members of all three plans were required to contribute 10% of their annual covered salary to fund pension obligations. The Village contributed 14% of covered payroll for both years.

The Village's required contributions for pension obligations to the traditional plan for the years ended December 31, 2013, 2012, and 2011 were \$138,609, \$150,828, and \$153,275, respectively. The full amount has been contributed for all three years. The Village made no contributions to the combined and member-directed plans for 2013 or 2012.

##### **B. Ohio Police and Fire Pension Fund**

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

Contribution rates are also prescribed by the Ohio Revised Code. From January 1, 2013 thru July 1, 2013, plan members were required to contribute 10% of their wages to OP&F. From July 2, 2013 thru December 31, 2013, plan members were required to contribute 10.75% of their wages to OP&F and throughout 2013 the Village contributed an amount equal to 19.5% for police officers. For 2012, members of OP&F contributed 10% of their wages to OP&F and the Village contributed an amount equal to 19.5% for police officers. The Village's required contributions to OP&F for the years ended December 31, 2013, 2012, and 2011 were \$145,037, \$150,828, and \$155,639, respectively. The full amount has been contributed for all three years.

#### **Note 10: Post-Employment Benefits**

##### **A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan – a cost-sharing, multiple-employer defined benefit 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.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 10: Post-Employment Benefits (continued)**

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 227 E. Town St., Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

##### Funding Policy

The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, the Village contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits.

For 2013, the employer contribution allocated to the health care for members in the traditional plan was 1%. For 2012, the employer contribution allocated to the health care for members in the traditional plan was 4%. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 % as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 10: Post-Employment Benefits (continued)**

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

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$9,901, \$43,094, and \$43,793, respectively. The full amount has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

##### ***B. Ohio Police and Fire Pension Fund***

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., 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 19.50% of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of the covered payroll for police employer units. Active members do not make contributions to the OPEB plan.

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

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

#### Note 10: Post-Employment Benefits (continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The Village's contributions to OP&F for the years ending December 31, 2013, 2012, and 2011 were \$27,079, \$51,584, and \$53,875, respectively. The full amount has been contributed for all three years.

#### Note 11: Notes Payable

There was no note activity for the year ended December 31, 2013.

The Village's notes activity for the year ended December 31, 2012, is as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2012</u>
Library Note	1.25%	\$ 450,000	\$ -	\$ (450,000)	\$ -
Total Governmental Activities		\$ 450,000	\$ -	\$ (450,000)	\$ -

#### Note 12: Debt

The Village's long-term debt activity for the year ended December 31, 2013, is as follows:

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2013</u>
OWDA, 1998	6.51%	\$ 1,313,048	\$ -	\$ (230,559)	\$ 1,082,489
OWDA, 1999	5.86%	1,733,350	-	(207,382)	1,525,968
OPWC Loan, 1995	0%	581,372	-	(83,052)	498,320
OPWC Loan, 2001	0%	163,540	-	(19,240)	144,300
Total Business-Type Activities		\$ 3,791,310	\$ -	\$ (540,233)	\$ 3,251,077

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

#### Note 12: Debt (continued)

The Village's long-term debt activity for the year ended December 31, 2012, is as follows:

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2012</u>
OWDA, 1998	6.51%	\$ 1,529,515	\$ -	\$ (216,467)	\$ 1,313,048
OWDA, 1999	5.86%	1,929,252	-	(195,902)	1,733,350
OPWC Loan, 1995	0%	664,424	-	(83,052)	581,372
OPWC Loan, 2001	0%	<u>182,780</u>	<u>-</u>	<u>(19,240)</u>	<u>163,540</u>
Total Business-Type Activities		\$ <u>4,305,971</u>	\$ <u>-</u>	\$ <u>(514,661)</u>	\$ <u>3,791,310</u>

The Ohio Water Development Authority (OWDA) loans and the 1995 Ohio Public Works Commission (OPWC) loan relate to a water expansion project. The 2001 OPWC loan was for the wastewater treatment plant. The OWDA and OPWC loans are repaid in semi-annual payments over 20 years. The OWDA loans are collateralized by assessments.

Amortization of the above long-term debt, including interest, where applicable, is scheduled as follows:

<u>Year Ending December 31</u>	<u>OWDA Loans</u>		<u>OPWC Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2014	\$ 465,102	\$ 159,892	\$ 102,292
2015	493,952	131,042	102,292
2016	524,600	100,394	102,292
2017	557,220	67,775	102,292
2018	275,696	33,260	102,292
2019-2021	<u>291,887</u>	<u>17,066</u>	<u>131,160</u>
Total	\$ <u>2,608,457</u>	\$ <u>509,429</u>	\$ <u>642,620</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% of the tax valuation of the Village. The Revised Code further provides that total voted and un-voted net debt of the Village, less the same exempt debt, shall never exceed amount equal to 10.5% of its tax valuation. The Village is within these ranges.

#### Note 13: Jointly Governed Organization

##### *Eastern Suburban Regional Council of Government*

The Village is a member of the Eastern Suburban Regional Council of Government (ESRCOG). The ESRCOG was formed by written agreement pursuant to Ohio Revised Code Section 167.01 in 1972 to foster cooperation between member municipalities through sharing of resources for mutual benefit. Other members include the communities of Highland Heights, Lyndhurst, Mayfield Heights, Richmond Heights, and Mayfield Village. The governing body of ESRCOG is a Council comprised of one representative from each of the six participating municipalities. The Council adopts a budget for ESRCOG annually. Each member's degree of control is limited to its representation on the Council.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

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#### **Note 13: Jointly Governed Organization (continued)**

ESRCOG established a subsidiary organization, the Suburban Police Anti-Crime Network (SPAN) which provides for the interchange and sharing of police personnel and police equipment to be utilized by all members. Financial information can be obtained from Robert G. Tribby, Finance Director, City of Mayfield Heights, 6154 Mayfield Road, Mayfield Heights, Ohio 44124-3207, who serves as fiscal agent.

#### ***Chagrin Valley Dispatch Council***

In 2013, the Village became a member of the Chagrin Valley Dispatch Council (“CVD”). CVD is a regional council of government formed under Chapter 167 of the Ohio Revised Code. 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 the CVD is 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 eight 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 Ohio Revised Code. Participating political subdivisions appoint one representative to the CVD. Each member of the CVD is entitled to one vote on each item under consideration by the board. During 2013, the Village contributed \$162,312 to the CVD.

#### **Note 14: Interfund Transfers**

During 2013, the following transfers were made:

Transfers from the General Fund to:	
Capital Improvement Fund	\$ 396,281
Other Governmental Funds	99,300
Wastewater Fund	63,000
Water fund	<u>100,000</u>
Total Transfers from the General Fund	\$ <u>658,581</u>

Additionally, the Village transferred \$187 of unexpended funds from the Fire Equipment Grant Fund to the General Fund. The General Fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements. All transfers were in accordance with budgetary authorizations.

During 2012, the following transfers were made:

Transfers from the General Fund to:	
Capital Improvement Fund	\$ 368,231
Other Governmental Funds	98,000
Wastewater Fund	63,000
Water fund	<u>90,000</u>
Total Transfers from the General Fund	\$ <u>619,231</u>

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

#### Note 14: Interfund Transfers (continued)

The General Fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements. All transfers were in accordance with budgetary authorizations.

#### Note 15: 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 2013, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Road Maintenance and Improvements	\$ -	\$ -	\$ 196	\$ 196
Drug and Alcohol Education and Enforcement	-	-	275	275
Police and Fire Pension	-	-	8,602	8,602
Conservation (by voters)	-	-	37,207	37,207
Purcell Fund (Downtown Beautification)	-	-	57,580	57,580
Storer Fund	-	-	2,646	2,646
Debt Service	-	-	<u>2,730</u>	<u>2,730</u>
Total Restricted	<u>-</u>	<u>-</u>	<u>109,236</u>	<u>109,236</u>
Committed to:				
Underground Storage Tanks	11,000	-	-	11,000
Cemetery	-	-	27	27
Park Recreation	-	-	51	51
Mayor's Discretionary	-	-	3,394	3,394
Capital Improvement	<u>-</u>	<u>1,337,351</u>	<u>-</u>	<u>1,337,351</u>
Total Committed	<u>11,000</u>	<u>1,337,351</u>	<u>3,472</u>	<u>1,351,823</u>
Unassigned	<u>3,278,123</u>	<u>-</u>	<u>-</u>	<u>3,278,123</u>
Total Fund Balances, December 31	\$ <u>3,289,123</u>	\$ <u>1,337,351</u>	\$ <u>112,708</u>	\$ <u>4,739,182</u>

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2013 and December 31, 2012

#### Note 15: Fund Balance (continued)

In 2012, the constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Road Maintenance and Improvements	\$ -	\$ -	\$ 148	\$ 148
Fire Operations	-	-	188	188
Drug and Alcohol Education and Enforcement	-	-	275	275
Police and Fire Pension	-	-	4,085	4,085
Conservation (by voters)	-	-	34,100	34,100
Storm Water Retrofit	-	-	218	218
Purcell Fund (Downtown Beautification)	-	-	62,392	62,392
Storer Fund	-	-	2,646	2,646
Debt Service	-	-	2,730	2,730
Total Restricted	<u>-</u>	<u>-</u>	<u>106,782</u>	<u>106,782</u>
Committed to:				
Underground Storage Tanks	11,000	-	-	11,000
Cemetery	-	-	122	122
Park Recreation	-	-	2,458	2,458
Mayor's Discretionary	-	-	6,867	6,867
Capital Improvement	<u>-</u>	<u>1,628,141</u>	<u>-</u>	<u>1,628,141</u>
Total Committed	<u>11,000</u>	<u>1,628,141</u>	<u>9,447</u>	<u>1,648,588</u>
Unassigned	<u>2,640,005</u>	<u>-</u>	<u>-</u>	<u>2,640,005</u>
Total Fund Balances, December 31	\$ <u>2,651,005</u>	\$ <u>1,628,141</u>	\$ <u>116,229</u>	\$ <u>4,395,375</u>

#### Note 16: Contingent Liabilities

The Village is not a defendant in any lawsuits.

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.

# **Village of Gates Mills**

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

### **For the Years Ended December 31, 2013 and December 31, 2012**

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#### **Note 17: Subsequent Events**

In preparing these financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through May 13, 2014, the date the financial statements were issued.

**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of Village Council  
Gates Mills, Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Gates Mills, Ohio (the “Village”) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village’s basic financial statements and have issued our report thereon dated May 13, 2014, wherein we noted the Village uses the modified cash basis of accounting and adopted Governmental Accounting Standards Board Statement Nos. 62 and 63.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Village’s internal control over financial reporting (internal control) to determine the 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 may exist that have not been identified.

Members of the Village Council  
Gates Mills, Ohio

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 result 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.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
May 13, 2014



# Dave Yost • Auditor of State

**VILLAGE OF GATE MILLS**

**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  
JUNE 12, 2014**