

# **Village of Gates Mills**

**Financial Statements  
For the Years Ended December 31, 2015 and  
December 31, 2014**





# Dave Yost • Auditor of State

Village Council  
Village of Gates Mills  
1470 Chagrin River Rd  
Gates Mills, OH 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, 2014 through December 31, 2015. 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

August 23, 2016

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# Village of Gates Mills

For the Years Ended December 31, 2015 and December 31, 2014

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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 cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Gates Mills, Ohio (the "Village"), as of and for the years ended December 31, 2015 and 2014, 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 cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 audits 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 Village'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 Village'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.

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Members of Village Council  
Gates Mills, Ohio

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis 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, 2015 and 2014, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the cash basis of accounting described in Note 2.

## **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 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 this 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 11, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*Ciurri + Panichi, Inc.*

Cleveland, Ohio  
June 28, 2016

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

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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, 2015 and December 31, 2014, within the limitations of the Village's 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 2015, net position of governmental activities decreased \$11,376 (0.26%) from 2014. In 2014, net position of governmental activities decreased \$414,246 (8.74%) from 2013.
- The Village's general receipts are primarily composed of property and municipal income taxes. Property tax income was \$3,661 (0.16%) lower in 2015 than 2014. In 2014, property tax income was \$4,136 (0.18%) lower than 2013.

In 2015, the municipal income tax received was \$397,199 (29.25%) more than the amount received in 2014. In 2014, the municipal income tax received was \$193,960 (12.50%) less than the amount received in 2013.

- Net position of the business-type activities increased \$90,819 (31.82%) in 2015. Net position of the business-type activities increased \$11,064 (4.03%) in 2014. The majority of the increase in 2015 is due to a reduction in sewer expenditures related to the completion of the wastewater plant maintenance project performed in 2013 and 2014. The increase in 2014 is due to an increase in transfers from the General Fund to the sewer fund to pay the Village's portion of the Cuyahoga County wastewater plant maintenance project.

#### 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 cash basis of accounting.

#### Report Components

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

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

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

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

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#### **Basis of Accounting**

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

As a result of using the 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. Additionally, the Village would not report deferred outflows or deferred inflows when using cash basis of accounting. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The statements of net position and the statements of activities reflect how the Village did financially during 2015 and 2014, within the limitations of cash basis accounting. The statements of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statements of activities compare cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the statements of net position and the statements 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 distributions 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 assessments and transfers from the General Fund.

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

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#### 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 2015 and 2014, 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.

#### The Village as a Whole

Table 1 provides a summary of the Village's net position for 2015, 2014, and 2013 on a cash basis:

Table 1  
Governmental Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,313,560</u>	\$ <u>4,324,936</u>	\$ <u>4,739,182</u>
Total Assets	<u>4,313,560</u>	<u>4,324,936</u>	<u>4,739,182</u>
Net Position:			
Restricted for:			
Capital Improvement	26,504	509,376	1,337,350
Debt Service	2,730	2,730	2,730
Other Purposes	125,671	196,953	109,978
Unrestricted	<u>4,158,655</u>	<u>3,615,877</u>	<u>3,289,124</u>
Total Net Position	\$ <u>4,313,560</u>	\$ <u>4,324,936</u>	\$ <u>4,739,182</u>

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

	Business-Type Net Position		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>376,245</u>	\$ <u>285,426</u>	\$ <u>274,362</u>
Total Assets	<u>376,245</u>	<u>285,426</u>	<u>274,362</u>
Net Position:			
Unrestricted	<u>376,245</u>	<u>285,426</u>	<u>274,362</u>
Total Net Position	\$ <u>376,245</u>	\$ <u>285,426</u>	\$ <u>274,362</u>

Net position of governmental activities decreased \$11,376 or 0.26% during 2015 and decreased \$414,246 or 8.74% during 2014. The primary reasons contributing to these decreases were the decrease in municipal income tax and estate tax revenue in 2015 and 2014. Additionally, during 2014, the Village had a large increase in expenditures related to Old Mill Road Slope Repair project and tennis court improvements.

Net position of business-type activities increased \$90,819 or 31.82% during 2015 and increased \$11,064 or 4.03% during 2014. The primary reasons contributing to the increases were due to decreases in sewer expenditures during 2014 and 2015 as the Village's portion of the Cuyahoga County wastewater plant maintenance project was completed in 2014.

Table 2 reflects the changes in net position on a cash basis in 2015, 2014 and 2013 for governmental activities.

Table 2  
Changes in Governmental Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 561,070	\$ 626,900	\$ 578,273
Operating Grants and Contributions	10,494	10,794	57,562
Capital Grants and Special Assessments	-	20,625	21,000
Total Program Receipts	<u>571,564</u>	<u>658,319</u>	<u>656,835</u>
General Receipts:			
Property Taxes	2,263,080	2,266,741	2,270,877
Municipal Income Taxes	1,755,094	1,357,895	1,551,855
Estate Taxes	-	231,575	396,281
Grants and Entitlements Not Restricted to Specific Programs	494,684	481,963	523,970
Sale of Capital Assets	-	450	300
Earnings on Investments	<u>4,560</u>	<u>4,320</u>	<u>5,915</u>
Total General Receipts	<u>4,517,418</u>	<u>4,342,944</u>	<u>4,749,198</u>
Total Receipts	<u>5,088,982</u>	<u>5,001,263</u>	<u>5,406,033</u>

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

Table 2  
Changes in Governmental Net Position (continued)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Disbursements:			
General Government	1,376,873	1,290,549	1,292,526
Security of Persons and Property	1,662,705	1,680,807	1,795,546
Public Health Services	9,496	9,002	9,446
Leisure Time Activities	314,744	233,894	234,541
Community Development	2,934	4,237	4,112
Basic Utility Services	59,549	46,718	33,309
Transportation	884,765	795,627	770,488
Capital Outlay	<u>589,292</u>	<u>1,116,575</u>	<u>757,258</u>
Total Disbursements	<u>4,900,358</u>	<u>5,177,409</u>	<u>4,897,226</u>
Excess (Deficiency) Before Transfers	188,624	(176,146)	508,807
Transfers	<u>(200,000)</u>	<u>(238,100)</u>	<u>(165,000)</u>
Change in Net Position	(11,376)	(414,246)	343,807
Net Position, January 1	<u>4,324,936</u>	<u>4,739,182</u>	<u>4,395,375</u>
Net Position, December 31	\$ <u>4,313,560</u>	\$ <u>4,324,936</u>	\$ <u>4,739,182</u>

### Changes in Business-Type Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 644,730	\$ 662,482	\$ 688,957
Disbursements:			
Water	729,498	729,080	728,458
Sewer	<u>24,413</u>	<u>160,438</u>	<u>112,155</u>
Total Disbursements	<u>753,911</u>	<u>889,518</u>	<u>840,613</u>
Deficiency Before Transfers	(109,181)	(227,036)	(151,656)
Transfers	<u>200,000</u>	<u>238,100</u>	<u>163,000</u>
Change in Net Position	90,819	11,064	11,344
Net Position, January 1	<u>285,426</u>	<u>274,362</u>	<u>263,018</u>
Net Position, December 31	\$ <u>376,245</u>	\$ <u>285,426</u>	\$ <u>274,362</u>

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

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#### *Business-Type Activities*

Program receipts of business-type activities are comprised of usage fees and special assessment revenue received 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 11.23% in 2015 and 13.16% in 2014 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 fees, 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 88.77% in 2015 and 86.84% in 2014 of total governmental receipts. Of the Village's 2015 total governmental receipts, 44.47% and 34.49% are property and other local taxes and income taxes, respectively. Of the Village's 2014 total governmental receipts, 45.32% and 27.15% are property and other local taxes and income taxes, respectively. Unrestricted grants and entitlements constitute 9.72% of the Village's general receipts during 2015 and 9.64% during 2014. Other receipts are insignificant and unpredictable revenue sources.

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 statements of activities on pages 13 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 and Property, which account for 28.10 and 33.93% of all governmental disbursements in 2015, and 24.93 and 32.46% of all government disbursements in 2014, respectively. Transportation also represents a significant cost accounting for 18.06% of total governmental activities in 2015 and 15.37% in 2014, respectively. The next two columns of the statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program receipts to calculate the overall cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

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

Table 3  
Governmental Activities

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
General Government	\$ 1,376,873	\$ (871,930)	\$ 1,290,549	\$ (739,782)	\$ 1,292,526	\$ (802,786)
Security of Persons and Property	1,662,705	(1,662,319)	1,680,807	(1,680,807)	1,795,546	(1,794,534)
Public Health Services	9,496	(7,196)	9,002	(5,002)	9,446	(6,296)
Leisure Time Activities	314,744	(294,339)	233,894	(192,388)	234,541	(144,650)
Community Environment	2,934	(2,934)	4,237	(4,237)	4,112	(4,112)
Basic Utility Services	59,549	(59,549)	46,718	(46,718)	33,309	(33,309)
Transportation	884,765	(884,765)	795,627	(795,627)	770,488	(770,488)
Capital Outlay	<u>589,292</u>	<u>(545,762)</u>	<u>1,116,575</u>	<u>(1,054,529)</u>	<u>757,258</u>	<u>(684,216)</u>
Total Expenses	\$ <u>4,900,358</u>	\$ <u>(4,328,794)</u>	\$ <u>5,177,409</u>	\$ <u>(4,519,090)</u>	\$ <u>4,897,226</u>	\$ <u>(4,240,391)</u>

### *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 \$109,181 for 2015 and \$227,036 for 2014.

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

In 2015, total governmental funds, excluding transfers and advances, had receipts of \$5,088,982 and disbursements of \$4,900,358. The most significant change within governmental funds occurred within the General Fund and Capital Improvement fund. The General Fund balance increased \$542,778 mostly as the result of an increase in municipal income tax revenue. The Capital Improvement fund decreased \$482,872 due to the reduction in capital improvement royalties received during the year and less capital improvement expenditures during the year due to the completion of the tennis court improvement project and Old Mill Road Slope Repair project in 2014.

In 2014, total governmental funds, excluding transfers and advances, had receipts of \$5,001,263 and disbursements of \$5,177,409. The most significant change within governmental funds occurred within the General Fund and Capital Improvement Fund. The General Fund balance increased \$326,753 mostly as the result of a decrease in expenditures in the General Government function and an increase in Fines, License and Permits revenue during the year. The Capital Improvement Fund decreased \$827,974 due to the increase in capital improvement expenditures related to the tennis court improvement project and Old Mill Road Slope Repair project completed during the year.



# Village of Gates Mills

## Management's Discussion and Analysis

### For the Years Ended December 31, 2015 and December 31, 2014

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#### General Fund Budgeting Highlights

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

During 2015 and 2014, the Village amended its General Fund budget to reflect changing circumstances. In 2015, the difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was favorable; whereas the Village received \$49,226 more than budgeted. There was a favorable variance between the final budgeted expenditures and other financing uses and the actual expenditures and other financing uses, whereas the Village spent \$439,410 less than was budgeted. The result is an overall increase in fund balance of \$542,778 for 2015.

In 2014, the difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was favorable; whereas the Village received \$2,299 more than budgeted. There was no variance between the final budgeted expenditures and other financing uses and the actual expenditures and other financing uses, whereas the Village spent exactly what was budgeted. The result is an overall increase in fund balance of \$326,753 for 2015.

#### 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, 2015, the Village's outstanding principal on all loans was \$2,087,436. See details in Note 11 to the financial statements. Of this amount:

- \$1,649,402 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.
- \$332,214 is for a non-interest bearing loan with the Ohio Public Works Commission (OPWC), also for the water project.
- \$105,820 is for a non-interest bearing loan with OPWC for a wastewater project.

As of December 31, 2014, the Village's outstanding principal on all loans was \$2,683,682. See details in the Note 11 to the financial statements. Of this amount:

- \$2,143,355 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.
- \$415,267 is for a non-interest bearing loan with the Ohio Public Works Commission (OPWC), also for the water project.
- \$125,060 is for a non-interest bearing loan with OPWC for a wastewater project.

#### Current Issues

During 2015, the Village renegotiated their EMS service contract held with Mayfield Village that became effective on January 1, 2016. The renegotiated contract provides the Village to pay \$1,325 for each ambulance

# Village of Gates Mills

## Management's Discussion and Analysis

### **For the Years Ended December 31, 2015 and December 31, 2014**

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run made during the year. Additionally, the contract states the Village will not exceed \$185,500 in payments per year despite the number of ambulance runs made during the year. The Village was also able to negotiate the contract for a five-year period instead of three years.

More thought and research is being given to the collaboration of services with local communities. The Village continues to weigh alternatives and collaborate services with other communities where it can.

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.

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 Janet Mulh, Finance Administrator, Village of Gates Mills Town Hall, 1470 Chagrin River Road, Gates Mills, Ohio 44040.

# Village of Gates Mills

## Statement of Net Position –Cash Basis

**December 31, 2015**

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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>4,313,560</u>	\$ <u>376,245</u>	\$ <u>4,689,805</u>
<b>Net Position</b>			
Restricted for:			
Capital Improvement	\$ 26,504	\$ -	\$ 26,504
Debt Service	2,730	-	2,730
Other Purposes	125,671	-	125,671
Unrestricted	<u>4,158,655</u>	<u>376,245</u>	<u>4,534,900</u>
Total Net Position	\$ <u>4,313,560</u>	\$ <u>376,245</u>	\$ <u>4,689,805</u>

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

# Village of Gates Mills

## Statement of Activities –Cash Basis

**For the Year Ended December 31, 2015**

	<u>Cash</u>	<u>Program Cash Receipts</u>	
	<u>Disbursements</u>	<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>
<b>Governmental Activities</b>			
General Government	\$ 1,376,873	\$ 504,943	\$ -
Security of Persons and Property	1,662,705	-	386
Public Health Services	9,496	2,300	-
Leisure Time Activities	314,744	10,297	10,108
Community Environment	2,934	-	-
Basic Utility Services	59,549	-	-
Transportation	884,765	-	-
Capital Outlay	<u>589,292</u>	<u>43,530</u>	<u>-</u>
Total Governmental Activities	<u>4,900,358</u>	<u>561,070</u>	<u>10,494</u>
<b>Business-Type Activities</b>			
Water	729,498	631,699	-
Wastewater	<u>24,413</u>	<u>13,031</u>	<u>-</u>
Total Business-Type Activities	<u>753,911</u>	<u>644,730</u>	<u>-</u>
Total	\$ <u>5,654,269</u>	\$ <u>1,205,800</u>	\$ <u>10,494</u>

### General Receipts

Property Taxes Levied for:

General Purposes

Police Pension

Conservation

Municipal Income Taxes

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>
\$ (871,930)	\$ -	\$ (871,930)
(1,662,319)	-	(1,662,319)
(7,196)	-	(7,196)
(294,339)	-	(294,339)
(2,934)	-	(2,934)
(59,549)	-	(59,549)
(884,765)	-	(884,765)
<u>(545,762)</u>	<u>-</u>	<u>(545,762)</u>
<u>(4,328,794)</u>	<u>-</u>	<u>(4,328,794)</u>
-	(97,799)	(97,799)
<u>-</u>	<u>(11,382)</u>	<u>(11,382)</u>
<u>-</u>	<u>(109,181)</u>	<u>(109,181)</u>
<u>(4,328,794)</u>	<u>(109,181)</u>	<u>(4,437,975)</u>
2,037,705	-	2,037,705
52,006	-	52,006
173,369	-	173,369
1,755,094	-	1,755,094
494,684	-	494,684
4,560	-	4,560
<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
<u>4,317,418</u>	<u>200,000</u>	<u>4,517,418</u>
(11,376)	90,819	79,443
<u>4,324,936</u>	<u>285,426</u>	<u>4,610,362</u>
\$ <u><u>4,313,560</u></u>	\$ <u><u>376,245</u></u>	\$ <u><u>4,689,805</u></u>

# Village of Gates Mills

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

**December 31, 2015**

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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>4,158,655</u>	\$ <u>26,504</u>	\$ <u>128,401</u>	\$ <u>4,313,560</u>
<b>Fund Balances</b>				
Restricted	\$ -	\$ -	\$ 120,619	\$ 120,619
Committed	11,000	26,504	7,782	45,286
Unassigned	<u>4,147,655</u>	<u>-</u>	<u>-</u>	<u>4,147,655</u>
Total Fund Balances	\$ <u>4,158,655</u>	\$ <u>26,504</u>	\$ <u>128,401</u>	\$ <u>4,313,560</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 Cash Basis Fund Balances Governmental Funds

**For the Year Ended December 31, 2015**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$ 2,037,705	\$ -	\$ 225,375	\$ 2,263,080
Municipal Income Taxes	1,755,094	-	-	1,755,094
Intergovernmental	340,116	-	154,953	495,069
Special Assessments	25,110	-	-	25,110
Charges for Services	403,490	18,420	10,297	432,207
Fines, Licenses and Permits	101,416	-	-	101,416
Earnings (Loss) on Investments	4,570	-	(10)	4,560
Miscellaneous	-	-	12,446	12,446
<b>Total Receipts</b>	<u>4,667,501</u>	<u>18,420</u>	<u>403,061</u>	<u>5,088,982</u>
<b>Disbursements</b>				
General Government	1,243,622	-	9,095	1,252,717
Security of Persons and Property	1,662,705	-	124,156	1,786,861
Public Health Services	-	-	9,496	9,496
Leisure Time Activities	63,879	-	250,865	314,744
Community Environment	2,934	-	-	2,934
Basic Utility Services	59,549	-	-	59,549
Transportation	707,534	-	177,231	884,765
Capital Outlay	-	589,292	-	589,292
<b>Total Disbursements</b>	<u>3,740,223</u>	<u>589,292</u>	<u>570,843</u>	<u>4,900,358</u>
Excess of Receipts Over (Under) Disbursements	<u>927,278</u>	<u>(570,872)</u>	<u>(167,782)</u>	<u>188,624</u>
<b>Other Financing Sources (Uses)</b>				
Transfers – In	-	88,000	96,500	184,500
Transfers – Out	<u>(384,500)</u>	<u>-</u>	<u>-</u>	<u>(384,500)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(384,500)</u>	<u>88,000</u>	<u>96,500</u>	<u>(200,000)</u>
Net Change in Fund Balances	542,778	(482,872)	(71,282)	(11,376)
Fund Balances Beginning of Year	<u>3,615,877</u>	<u>509,376</u>	<u>199,683</u>	<u>4,324,936</u>
Fund Balances End of Year	\$ <u>4,158,655</u>	\$ <u>26,504</u>	\$ <u>128,401</u>	\$ <u>4,313,560</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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$ 2,254,373	\$ 2,254,373	\$ 2,037,705	\$ (216,668)
Municipal Income Taxes	1,577,640	1,577,640	1,755,094	177,454
Intergovernmental	305,728	305,727	340,116	34,389
Special Assessments	22,571	22,571	25,110	2,539
Charges for Services	362,694	362,694	403,490	40,796
Fines, Licenses and Permits	91,162	91,162	101,416	10,254
Earnings on Investments	4,108	4,108	4,570	462
<b>Total Receipts</b>	<u>4,618,276</u>	<u>4,618,275</u>	<u>4,667,501</u>	<u>49,226</u>
<b>Disbursements</b>				
General Government	1,373,433	1,389,725	1,243,622	146,103
Security of Persons and Property	1,836,261	1,858,043	1,662,705	195,338
Leisure Time Activities	70,547	71,384	63,879	7,505
Community Environment	3,240	3,279	2,934	345
Basic Utility Services	65,765	66,545	59,549	6,996
Transportation	781,387	790,657	707,534	83,123
<b>Total Disbursements</b>	<u>4,130,633</u>	<u>4,179,633</u>	<u>3,740,223</u>	<u>439,410</u>
Excess of Receipts Over Disbursements	<u>487,643</u>	<u>438,642</u>	<u>927,278</u>	<u>488,636</u>
<b>Other Financing (Uses)</b>				
Transfers Out	<u>(383,500)</u>	<u>(384,500)</u>	<u>(384,500)</u>	<u>-</u>
Net Change in Fund Balance	104,143	54,142	542,778	488,636
Fund Balance Beginning of Year	<u>3,615,877</u>	<u>3,615,877</u>	<u>3,615,877</u>	<u>-</u>
Fund Balance End of Year	\$ <u>3,720,020</u>	\$ <u>3,670,019</u>	\$ <u>4,158,655</u>	\$ <u>488,636</u>

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



**Village of Gates Mills**

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

**December 31, 2015**

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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>89,927</u>	\$ <u>286,318</u>	\$ <u>376,245</u>
<b>Net Position</b>			
Unrestricted	\$ <u>89,927</u>	\$ <u>286,318</u>	\$ <u>376,245</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 – Cash Basis – Proprietary Funds

**For the Year Ended December 31, 2015**

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
<b>Operating Receipts</b>			
Charges for Services	\$ <u>13,031</u>	\$ <u>60</u>	\$ <u>13,091</u>
<b>Operating Disbursements</b>			
Contractual Services	<u>5,173</u>	<u>21,451</u>	<u>26,624</u>
Operating Income (Loss)	<u>7,858</u>	<u>(21,391)</u>	<u>(13,533)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	-	631,639	631,639
Principal Retirement	(19,240)	(577,006)	(596,246)
Interest and Fiscal Charges	<u>-</u>	<u>(131,041)</u>	<u>(131,041)</u>
Total Non-Operating Receipts (Disbursements)	<u>(19,240)</u>	<u>(76,408)</u>	<u>(95,648)</u>
Loss before Transfers	(11,382)	(97,799)	(109,181)
Transfers – In	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Change in Net Position	88,618	2,201	90,819
Net Position Beginning of Year	<u>1,309</u>	<u>284,117</u>	<u>285,426</u>
Net Position End of Year	\$ <u><u>89,927</u></u>	\$ <u><u>286,318</u></u>	\$ <u><u>376,245</u></u>

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

**Village of Gates Mills**

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

**December 31, 2015**

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>57,747</u>
<b>Net Position</b>	
Held in Trust for Building Deposits	\$ <u>57,747</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 – Cash Basis

**December 31, 2014**

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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>4,324,936</u>	\$ <u>285,426</u>	\$ <u>4,610,362</u>
<b>Net Position</b>			
Restricted for:			
Capital Improvement	\$ 509,376	\$ -	\$ 509,376
Debt Service	2,730	-	2,730
Other Purposes	196,953	-	196,953
Unrestricted	<u>3,615,877</u>	<u>285,426</u>	<u>3,901,303</u>
Total Net Position	\$ <u>4,324,936</u>	\$ <u>285,426</u>	\$ <u>4,610,362</u>

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

# Village of Gates Mills

## Statement of Activities – Cash Basis

**For the Year Ended December 31, 2014**

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 1,290,549	\$ 550,767	\$ -	\$ -
Security of Persons and Property	1,680,807	-	-	-
Public Health Services	9,002	3,900	100	-
Leisure Time Activities	233,894	10,187	10,694	20,625
Community Environment	4,237	-	-	-
Basic Utility Services	46,718	-	-	-
Transportation	795,627	-	-	-
Capital Outlay	<u>1,116,575</u>	<u>62,046</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>5,177,409</u>	<u>626,900</u>	<u>10,794</u>	<u>20,625</u>
<b>Business-Type Activities</b>				
Water	729,080	648,831	-	-
Wastewater	<u>160,438</u>	<u>13,651</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>889,518</u>	<u>662,482</u>	<u>-</u>	<u>-</u>
Total	\$ <u>6,066,927</u>	\$ <u>1,289,382</u>	\$ <u>10,794</u>	\$ <u>20,625</u>

### General Receipts

Property Taxes Levied for:

General Purposes

Police Pension

Conservation

Municipal Income Taxes

Estate Taxes

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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (739,782)	\$ -	\$ (739,782)
(1,680,807)	-	(1,680,807)
(5,002)	-	(5,002)
(192,388)	-	(192,388)
(4,237)	-	(4,237)
(46,718)	-	(46,718)
(795,627)	-	(795,627)
<u>(1,054,529)</u>	<u>-</u>	<u>(1,054,529)</u>
<u>(4,519,090)</u>	<u>-</u>	<u>(4,519,090)</u>
-	(80,249)	(80,249)
<u>-</u>	<u>(146,787)</u>	<u>(146,787)</u>
<u>-</u>	<u>(227,036)</u>	<u>(227,036)</u>
<u>(4,519,090)</u>	<u>(227,036)</u>	<u>(4,746,126)</u>
2,040,393	-	2,040,393
52,234	-	52,234
174,114	-	174,114
1,357,895	-	1,357,895
231,575	-	231,575
481,963	-	481,963
450	-	450
4,320	-	4,320
<u>(238,100)</u>	<u>238,100</u>	<u>-</u>
<u>4,104,844</u>	<u>238,100</u>	<u>4,342,944</u>
(414,246)	11,064	(403,182)
<u>4,739,182</u>	<u>274,362</u>	<u>5,013,544</u>
\$ <u>4,324,936</u>	\$ <u>285,426</u>	\$ <u>4,610,362</u>

# Village of Gates Mills

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

**December 31, 2014**

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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>3,615,877</u>	\$ <u>509,376</u>	\$ <u>199,683</u>	\$ <u>4,324,936</u>
<b>Fund Balances</b>				
Restricted	\$ -	\$ -	\$ 199,335	\$ 199,335
Committed	11,000	509,376	348	520,724
Unassigned	<u>3,604,877</u>	<u>-</u>	<u>-</u>	<u>3,604,877</u>
Total Fund Balances	\$ <u>3,615,877</u>	\$ <u>509,376</u>	\$ <u>199,683</u>	\$ <u>4,324,936</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 Cash Basis Fund Balances Governmental Funds

**For the Year Ended December 31, 2014**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$ 2,040,393	\$ -	\$ 226,348	\$ 2,266,741
Municipal Income Taxes	1,357,895	-	-	1,357,895
Intergovernmental	571,042	-	142,533	713,575
Special Assessments	26,095	-	-	26,095
Charges for Services	394,488	35,951	10,187	440,626
Fines, Licenses and Permits	156,242	-	-	156,242
Earnings on Investments	4,278	-	42	4,320
Miscellaneous	-	20,625	14,694	35,319
<b>Total Receipts</b>	<u>4,550,433</u>	<u>56,576</u>	<u>393,804</u>	<u>5,000,813</u>
<b>Disbursements</b>				
General Government	1,142,950	-	12,342	1,155,292
Security of Persons and Property	1,680,807	-	135,257	1,816,064
Public Health Services	-	-	9,002	9,002
Leisure Time Activities	17,875	-	216,019	233,894
Community Environment	4,237	-	-	4,237
Basic Utility Services	46,718	-	-	46,718
Transportation	760,118	-	35,509	795,627
Capital Outlay	-	1,116,575	-	1,116,575
<b>Total Disbursements</b>	<u>3,652,705</u>	<u>1,116,575</u>	<u>408,129</u>	<u>5,177,409</u>
Excess of Receipts Over (Under) Disbursements	<u>897,728</u>	<u>(1,059,999)</u>	<u>(14,325)</u>	<u>(176,596)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	-	450	-	450
Transfers In	-	231,575	101,300	332,875
Transfers Out	<u>(570,975)</u>	<u>-</u>	<u>-</u>	<u>(570,975)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(570,975)</u>	<u>232,025</u>	<u>101,300</u>	<u>(237,650)</u>
<b>Net Change in Fund Balances</b>	326,753	(827,974)	86,975	(414,246)
Fund Balances Beginning of Year	<u>3,289,124</u>	<u>1,337,350</u>	<u>112,708</u>	<u>4,739,182</u>
Fund Balances End of Year	\$ <u><u>3,615,877</u></u>	\$ <u><u>509,376</u></u>	\$ <u><u>199,683</u></u>	\$ <u><u>4,324,936</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, 2014**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$ 2,033,607	\$ 2,039,362	\$ 2,040,393	\$ 1,031
Municipal Income Taxes	1,353,379	1,357,209	1,357,895	686
Intergovernmental	569,143	570,753	571,042	289
Special Assessments	26,008	26,082	26,095	13
Charges for Services	393,176	394,289	394,488	199
Fines, Licenses and Permits	155,722	156,163	156,242	79
Earnings on Investments	4,264	4,276	4,278	2
<b>Total Receipts</b>	<u>4,535,299</u>	<u>4,548,134</u>	<u>4,550,433</u>	<u>2,299</u>
<b>Disbursements</b>				
General Government	1,266,124	1,149,333	1,142,950	6,383
Security of Persons and Property	1,861,944	1,690,195	1,680,807	9,388
Leisure Time Activities	19,801	17,975	17,875	100
Community Environment	4,694	4,261	4,237	24
Basic Utility Services	51,753	46,979	46,718	261
Transportation	842,034	764,363	760,118	4,245
<b>Total Disbursements</b>	<u>4,046,350</u>	<u>3,673,106</u>	<u>3,652,705</u>	<u>20,401</u>
Excess of Receipts Over Disbursements	488,949	875,028	897,728	22,700
<b>Other Financing (Uses)</b>				
Transfers Out	<u>(20,400)</u>	<u>(550,574)</u>	<u>(570,975)</u>	<u>(20,401)</u>
Net Change in Fund Balance	468,549	324,454	326,753	2,299
Fund Balance Beginning of Year	<u>3,289,124</u>	<u>3,289,124</u>	<u>3,289,124</u>	<u>-</u>
Fund Balance End of Year	\$ <u>3,757,673</u>	\$ <u>3,613,578</u>	\$ <u>3,615,877</u>	\$ <u>2,299</u>

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

# Village of Gates Mills

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

**December 31, 2014**

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	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,309</u>	\$ <u>284,117</u>	\$ <u>285,426</u>
<b>Net Position</b>			
Unrestricted	\$ <u>1,309</u>	\$ <u>284,117</u>	\$ <u>285,426</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 – Cash Basis – Proprietary Funds

**For the Year Ended December 31, 2014**

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
<b>Operating Receipts</b>			
Charges for Services	\$ <u>13,651</u>	\$ <u>12,558</u>	\$ <u>26,209</u>
<b>Operating Disbursements</b>			
Contractual Services	<u>141,198</u>	<u>21,034</u>	<u>162,232</u>
Operating (Loss) Income	<u>(127,547)</u>	<u>(8,476)</u>	<u>(136,023)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	-	636,273	636,273
Principal Retirement	(19,240)	(548,155)	(567,395)
Interest and Fiscal Charges	<u>-</u>	<u>(159,891)</u>	<u>(159,891)</u>
Total Non-Operating Receipts (Disbursements)	<u>(19,240)</u>	<u>(71,773)</u>	<u>(91,013)</u>
Loss before Transfers	(146,787)	(80,249)	(227,036)
Transfers	<u>138,100</u>	<u>100,000</u>	<u>238,100</u>
Change in Net Position	(8,687)	19,751	11,064
Net Position Beginning of Year	<u>9,996</u>	<u>264,366</u>	<u>274,362</u>
Net Position End of Year	\$ <u><u>1,309</u></u>	\$ <u><u>284,117</u></u>	\$ <u><u>285,426</u></u>

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

**Village of Gates Mills**

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

**December 31, 2014**

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>54,277</u>
<b>Net Position</b>	
Held in Trust for Building Deposits	\$ <u>54,277</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, 2015 and December 31, 2014

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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, 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 12 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 cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village’s accounting policies.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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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 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 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, 2015 and December 31, 2014

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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, 2015 and December 31, 2014

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

##### ***B. Fund Accounting (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 cash basis of accounting. 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.

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

##### ***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, 2015 and December 31, 2014

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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, respectively.

During 2015 and 2014, 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 fair market value.

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, 2015 and December 31, 2014.

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 2015 was \$4,570. Interest receipts credited to the General Fund during 2014 was \$4,278.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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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 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 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 another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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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 and long-term amount of interfund loans. These items are not reflected in the accompanying financial statements.

**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.

**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.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State statute.

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

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

##### ***O. Interfund Transactions***

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

Interfund transfers are reported as other financing source/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds.

##### ***P. Reclassification***

Prior year data presented in the Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2013 data in order to conform to the 2014 presentation.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

#### Note 3: 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 governmental funds. In 2015, 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	\$ -	\$ -	\$ 15,600	\$ 15,600
Drug and Alcohol Education and Enforcement	-	-	313	313
Police and Fire Pension	-	-	26,162	26,162
Conservation	-	-	1,508	1,508
Purcell Fund (Downtown Beautification)	-	-	74,306	74,306
Debt Service	-	-	2,730	2,730
Total Restricted	<u>-</u>	<u>-</u>	<u>120,619</u>	<u>120,619</u>
Committed to:				
Underground Storage Tanks	11,000	-	-	11,000
Cemetery	-	-	828	828
Park Recreation	-	-	6,787	6,787
Mayor's Discretionary	-	-	167	167
Capital Improvement	<u>-</u>	<u>26,504</u>	<u>-</u>	<u>26,504</u>
Total Committed	<u>11,000</u>	<u>26,504</u>	<u>7,782</u>	<u>45,286</u>
Unassigned	<u>4,147,655</u>	<u>-</u>	<u>-</u>	<u>4,147,655</u>
Total Fund Balances, December 31, 2015	\$ <u>4,158,655</u>	\$ <u>26,504</u>	\$ <u>128,401</u>	\$ <u>4,313,560</u>

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

#### Note 3: Fund Balance (continued)

In 2014, 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:				
Road Maintenance and Improvements	\$ -	\$ -	\$ 76,016	\$ 76,016
Drug and Alcohol Education and Enforcement	-	-	275	275
Police and Fire Pension	-	-	15,785	15,785
Conservation	-	-	40,331	40,331
Purcell Fund (Downtown Beautification)	-	-	64,198	64,198
Debt Service	-	-	2,730	2,730
Total Restricted	<u>-</u>	<u>-</u>	<u>199,335</u>	<u>199,335</u>
Committed:				
Underground Storage Tanks	11,000	-	-	11,000
Cemetery	-	-	24	24
Park Recreation	-	-	250	250
Mayor's Discretionary	-	-	74	74
Capital Improvement	<u>-</u>	<u>509,376</u>	<u>-</u>	<u>509,376</u>
Total Committed	<u>11,000</u>	<u>509,376</u>	<u>348</u>	<u>520,724</u>
Unassigned	<u>3,604,877</u>	<u>-</u>	<u>-</u>	<u>3,604,877</u>
Total Fund Balances, December 31, 2014	\$ <u>3,615,877</u>	\$ <u>509,376</u>	\$ <u>199,683</u>	\$ <u>4,324,936</u>



# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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#### **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 cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (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 (cash basis). There were no outstanding year end encumbrances or advances as of December 31, 2015 and December 31, 2014.

#### **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, 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%.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

5. The State Treasurer's Investment Pool (STAR Ohio).
6. STAR Plus Cash Management Program endorsed by the Ohio Treasurer of State.

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

#### Deposits

*Custodial credit risk* is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits.

At December 31, 2015 and 2014, the Village had book balances of \$4,099,911 and \$4,118,550 respectively. Of the Village's 2015 bank balance of \$4,343,900, \$470,652 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name. Of the Village's 2014 bank balance of \$4,141,088, \$275,133 was uninsured and collateralized with securities held by the pledging financial institution's trust department, not in the Village's name.

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, 2015, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 647,641	49
Demand Deposits	<u>4,099,911</u>	
Total Equity in Pooled Cash And Cash Equivalents	\$ <u><u>4,747,552</u></u>	

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

As of December 31, 2014, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 546,089	50
Demand Deposits	<u>4,118,550</u>	
Total Equity in Pooled Cash And Cash Equivalents	<u>\$ 4,664,639</u>	

**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:** STAR Ohio 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.

**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:** GASB defines this risk 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 Village was fully invested in STAR Ohio in 2015 and 2014.

#### **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.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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#### **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 2015 (2014) represents the collection of 2014 (2013) taxes. Real property taxes received in 2015 (2014) were levied after October 1, 2014 (2013), on the assessed values as of January 1, 2014 (2013), 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 2015 (2014) represents 2014 (2013) collections. Public utility real and tangible property taxes received in 2015 (2014) became a lien on December 31, 2014 (2013), are levied after October 1, 2015 (2014), and are collected in 2016 (2015) 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, 2015 (2014), 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 2015 (2014) property tax receipts were based are as follows:

	<u>2015</u>	<u>2014</u>
Real Property:		
Residential/Agricultural	\$ 203,847,160	\$ 193,562,200
Commercial/Industrial/Mineral	2,505,150	2,848,280
Tangible Personal Property:		
Public Utility	<u>2,780,500</u>	<u>2,634,510</u>
Total Assessed Value	<u>\$ 209,132,810</u>	<u>\$ 199,044,990</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.

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

The Village has obtained commercial insurance for the following risks:

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

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

The Village's comprehensive property and casualty insurance program is with Selective Insurance Company during 2015 and 2014 is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Blanket Property and Contents	\$ 10,298,642
Inland Marine	503,063
Crime	1,000,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement and Public Officials Liability	1,000,000
Flood – Building, Combined Policies	4,103,500
Flood – Contents, Combined Policies	839,200
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.

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 to the Ohio Municipal League Group Rating Plan was \$3,480 in 2014 and \$ 3,585 in 2015.

The Village provides health and dental insurance to full-time employees through Aetna and Delta Dental, private carriers. The single, employee plus spouse, employee plus child(ren), and employee plus family monthly premiums for health insurance in 2015 were \$520, \$1,770, \$1,204, and \$1,645, respectively, for medical. The single, employee plus spouse, employee plus child(ren), and employee plus family monthly premiums in 2014 were \$688, \$1,335, \$857, and \$1,489, respectively, for medical. Rates vary based upon age for each category for health. The employees pay 6% of the premiums by payroll deduction.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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#### Note 9: Defined Benefit Pension Plans

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

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

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of	<b>Formula:</b> 2.2% of FAS multiplied by years of	<b>Formula:</b> 2.2% of FAS multiplied by years of

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

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

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contributions for pension were \$109,082 and \$114,827 for the years 2015 and 2014, respectively.

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

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	<u>Police</u>
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contributions to OP&F for pension were \$120,589 and \$131,740 for the years 2015 and 2014, respectively.



# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

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

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

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

The Village's contributions for health care for the years ended December 31, 2015, 2014, and 2013 were \$18,172, \$19,129, and \$9,897 respectively. The full amount has been contributed for 2015, 2014 and 2013.

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

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits 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 statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 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 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 OP&F, 140 E. Town St., Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an 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.

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 0.5% of covered payroll from January 1, 2015 thru December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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

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

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 for health care for the years ending December 31, 2015, 2014, and 2013 were \$3,219, \$3,517, and \$27,079, respectively. The full amount has been contributed for 2015, 2014 and 2013.

#### Note 11: Debt

The Village's long-term debt activity for the year ended December 31, 2015, is as follows:

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2015</u>
OWDA, 1998	6.51%	\$ 836,921	\$ -	\$ (261,554)	\$ 575,367
OWDA, 1999	5.86%	1,306,434	-	(232,399)	1,074,035
OPWC Loan, 1995	0%	415,267	-	(83,053)	332,214
OPWC Loan, 2001	0%	<u>125,060</u>	<u>-</u>	<u>(19,240)</u>	<u>105,820</u>
Total Business-Type Activities		\$ <u>2,683,682</u>	\$ <u>-</u>	\$ <u>(596,246)</u>	\$ <u>2,087,436</u>

The Village's long-term debt activity for the year ended December 31, 2014, is as follows:

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2014</u>
OWDA, 1998	6.51%	\$ 1,082,489	\$ -	\$ (245,568)	\$ 836,921
OWDA, 1999	5.86%	1,525,968	-	(219,534)	1,306,434
OPWC Loan, 1995	0%	498,320	-	(83,053)	415,267
OPWC Loan, 2001	0%	<u>144,300</u>	<u>-</u>	<u>(19,240)</u>	<u>125,060</u>
Total Business-Type Activities		\$ <u>3,251,077</u>	\$ <u>-</u>	\$ <u>(567,395)</u>	\$ <u>2,683,682</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.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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#### Note 11: Debt (continued)

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

<u>Year Ending December 31</u>	<u>OWDA</u>		<u>OPWC</u>
	<u>Loans</u>		<u>Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2016	\$ 524,600	\$ 100,394	\$ 102,293
2017	557,220	67,775	102,293
2018	275,696	33,260	102,293
2019	291,886	17,066	102,295
2020	-	-	19,240
2021	-	-	9,620
Total	\$ <u>1,649,402</u>	\$ <u>218,495</u>	\$ <u>438,034</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 effects of the debt limitations at December 31, 2015, were an overall debt margin of \$21,961,675 and an unvoted debt margin of \$11,499,575. The effects of the debt limitations at December 31, 2014, were an overall debt margin of \$20,902,454 and an unvoted debt margin of \$10,944,744.

#### Note 12: 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. The Village made no contributions to the ESRCOG in 2014 and 2015. 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*

The Village is 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.

## Village of Gates Mills

### Notes to the Basic Financial Statements

#### For the Years Ended December 31, 2015 and December 31, 2014

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##### **Note 12: Jointly Governed Organization (continued)**

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 2015 and 2014, the Village contributed \$160,631 and \$115,393 to the CVD.

##### ***Northeast Ohio Public Energy Council***

Beginning in 2015, the Village became a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of government formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program.

The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC. Financial information can be obtained by contacting the Board Chairman at 1615 Clark Avenue, Cleveland, Ohio 44109.

##### ***Valley Enforcement Regional Council of Governments***

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers.

VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed to the organization \$7,000 in 2015 and 2014.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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#### **Note 13: Interfund Transfers**

During 2015, the following transfers were made:

Transfers from the General Fund to:	
Capital Improvement Fund	\$ 88,000
Other Governmental Funds	96,500
Wastewater Fund	100,000
Water fund	<u>100,000</u>
Total Transfers from the General Fund	\$ <u>384,500</u>

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 2014, the following transfers were made:

Transfers from the General Fund to:	
Capital Improvement Fund	\$ 231,575
Other Governmental Funds	101,300
Wastewater Fund	138,100
Water fund	<u>100,000</u>
Total Transfers from the General Fund	\$ <u>570,975</u>

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 14: Contingent Liabilities**

The Village is party to legal proceedings. Village management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

# Village of Gates Mills

## Notes to the Basic Financial Statements

### For the Years Ended December 31, 2015 and December 31, 2014

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#### **Note 15: Leases**

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

#### **Sarah's Place By Gavi's Restaurant**

On July 29, 2015 the Village entered into a Lease Agreement with Gavi's River, LLC for the use of a Village owned building. The Agreement, effective August 1, 2015 through July 31, 2025, had an annual base rental of \$50,988 per year; \$4,249 per month.

#### **Related Party**

On August 1, 2015, the Village entered into a Lease Agreement with a related party for the use of a Village owned residence to allow the Police Chief to be close to Village Hall in an emergency situation. The Agreement, effective August 1, 2015 shall continue throughout the period the current Police Chief is employed by the Village. The Agreement has a base rent of \$700 per month.

#### **Howard Hanna**

On August 15, 2005, the Village entered into a Lease Agreement with Smythe Cramer Co., d.b.a. Howard Hanna Smythe Cramer for the use of a Village owned building. The Agreement, effective September 1, 2006 through August 31, 2021, had an annual base rent of \$28,560 per year; \$2,380 per month during the first five years of the lease. The annual base rent would then increase to \$31,416 per year; \$2,618 per month during the sixth through the tenth years of the lease. During the eleventh through the fifteenth years of the lease, the annual base rent would then increase to \$35,224 per year; \$2,935 per month.

On December 9, 2015, the Village amended the Lease Agreement with Smythe Cramer Co., d.b.a. Howard Hanna Smythe Cramer to reduce its premises by 200 square feet to be leased instead to Cynthia W. Halle, Inc. Thereby, the annual base rent shall be reduced from \$31,416 per year to \$29,708; \$2,475 per month for the sixth through the tenth years of the lease and for the eleventh through the fifteenth years of the lease the annual base rent shall be reduced from \$35,224 per year to \$32,976; \$2,748 per month.

#### **Cynthia W. Halle, Inc.**

On January 1, 2016 the Village entered into a Lease Agreement with Cynthia W. Halle, Inc. for the use of a Village building. The Agreement, effective January 1, 2016 through December 31, 2021, has a base rent of \$1,290 per month.

**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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 28, 2016, wherein we noted the Village uses the cash basis of accounting, as disclosed in Note 2.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. We consider finding 2015-001 to be a significant deficiency.



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*.

### **Village's Response to Findings**

The Village's response to the findings identified in our audits is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
June 28, 2016

# Village of Gates Mills, Ohio

## Schedule Of Findings

### For the Years Ended December 31, 2015 and December 31, 2014

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#### 1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Was there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No

#### 2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

##### 2015-001 – Significant deficiency in internal control:

**Condition:**

During testing procedures of 2015 expenditures, the Village was unable to locate the signed purchase orders for 4 out of 25 selected expenditures.

**Criteria:**

The internal control structure and processes of the Village include signed purchase orders as one of the controls to support management's approval and assurance that the related expenditures have been appropriated.

**Cause:**

Management asserts that due to management turnover, the location of the missing signed purchase orders was undeterminable.

**Effect:**

We noted these expenditures were assigned purchase order numbers within the accounting system, however without the signed purchase order; we cannot determine that this control over purchase orders was met.

**Recommendation:**

We recommend the Village maintain all signed purchase orders within their files and that the Village ensures the location of such files is known to a sufficient number of employees and/or is documented such that files are not susceptible to misplacement in the event of staff turnover.

# Village of Gates Mills, Ohio

## Corrective Action Plan

### For the Year Ended December 31, 2015

Finding No.	Finding Summary	Anticipated Completion Date	Responsible Contact Person
2015-001	<p><b><i>Significant deficiency in internal control</i></b></p> <p>Signed purchase orders are one of the Village's controls to support management approval and assurance that the related expenditure has been appropriated.</p> <p>During testing procedures of 2015 expenditures, the Village was unable to locate the signed purchase orders for 4 out of 25 selected expenditures.</p> <p>We recommend the Village maintain all signed purchase orders within their files and that the Village ensures the location of such files is known to a sufficient number of employees and/or is documented such that files are not susceptible to misplacement in the event of staff turnover.</p> <p><b>Management Response:</b> The Village Finance Administrator is taking the necessary steps to ensure all records are properly maintained.</p>	December 31, 2016	Janet Mulh, Finance Administrator

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# Dave Yost • Auditor of State

VILLAGE OF GATES 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  
SEPTEMBER 6, 2016