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**Village Of Gates Mills, Ohio**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 1999 AND 1998**

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**FINANCIAL STATEMENTS**

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# VILLAGE OF GATES MILLS, OHIO

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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Honorable Mayor and Members of Council  
Village of Gates Mills  
Gates Mills, Ohio

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, 1998 through December 31, 1999. 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.



JIM PETRO  
Auditor of State

June 2, 2000

## REPORT OF INDEPENDENT ACCOUNTANTS

Honorable Mayor and  
Members of Council  
Village of Gates Mills, Ohio

We have audited the accompanying financial statements of the Village of Gates Mills, Ohio, as of and for the years ended December 31, 1999 and 1998, as listed in the Table of Contents. These financial statements are the responsibility of the Village of Gates Mills' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Gates Mills as of December 31, 1999 and 1998, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements, for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
February 17, 2000

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## VILLAGE OF GATES MILLS, OHIO

### COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Receipts</u>				
Local Taxes	\$ 2,570,920	\$ -	\$ -	\$ -
Intergovernmental Revenues	141,603	86,141	-	323,992
Special Assessments	-	-	-	308,210
Charges for Services	-	52,815	-	-
Fines, Licenses, and Permits	217,740	-	-	-
Miscellaneous	340,168	-	-	1,299,139
Total Receipts	3,270,431	138,956	-	1,931,341
<u>Disbursements</u>				
Security of Persons and Property	963,077	1,643	-	-
Public Health Services	-	7,346	-	-
Leisure Time Activities	20,120	68,057	-	-
Community Environment	49,915	-	-	-
Basic Utility Services	247,522	-	-	-
Transportation	576,702	86,786	-	-
General Government	782,031	-	-	-
Capital Outlay	-	-	-	3,866,519
Debt Service:				
Principal Retirement	-	-	9,895,349	-
Interest and Fiscal Charges	-	-	526,123	-
Total Disbursements	2,639,367	163,832	10,421,472	3,866,519
Total Receipts Over/(Under) Disbursements	631,064	(24,876)	(10,421,472)	(1,935,178)
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Debt	-	-	-	8,544,304
Operating Transfers-In	-	14,000	10,180,872	-
Operating Transfers-Out	(81,000)	-	-	(10,180,872)
Other Sources	-	-	152,056	-
Other Uses	-	-	-	-
Total Other Financing Sources/(Uses)	(81,000)	14,000	10,332,928	(1,636,568)
<i>Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</i>	550,064	(10,876)	(88,544)	(3,571,746)
Beginning Fund Cash Balance	1,801,711	19,684	92,052	5,694,072
Ending Fund Cash Balance	\$ 2,351,775	\$ 8,808	\$ 3,508	\$ 2,122,326

The accompanying notes are an integral part of these financial statements

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Fiduciary Fund Type	Total (Memorandum Only)
Expendable Trust	
\$ 46,888	\$ 2,617,808
-	551,736
-	308,210
-	52,815
-	217,740
-	<u>1,639,307</u>
<u>46,888</u>	<u>5,387,616</u>

108,823	1,073,543
-	7,346
-	88,177
-	49,915
-	247,522
-	663,488
-	782,031
-	3,866,519
-	9,895,349
-	<u>526,123</u>
<u>108,823</u>	<u>17,200,013</u>
<u>(61,935)</u>	<u>(11,812,397)</u>

-	8,544,304
67,000	10,261,872
-	(10,261,872)
79,924	231,980
<u>(31,535)</u>	<u>(31,535)</u>
<u>115,389</u>	<u>8,744,749</u>

53,454	(3,067,648)
<u>161,382</u>	<u>7,768,901</u>
\$ <u>214,836</u>	\$ <u>4,701,253</u>

**VILLAGE OF GATES MILLS, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES – AGENCY FUNDS

**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Agency Funds</u>
<u>Non-Operating Revenue</u>	
Local Taxes	\$ 157,802
Miscellaneous	<u>111,209</u>
Total Non-Operating Revenue	269,011
<u>Non-Operating Expenses</u>	
Other Non-Operating Expenses	<u>285,239</u>
Net Revenues Over (Under) Expenses	(16,228)
Beginning Cash Balance	<u>192,943</u>
Ending Cash Balance	\$ <u>176,715</u>

# VILLAGE OF GATES MILLS, OHIO

## COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental:			
General Fund	\$ 3,012,107	\$ 3,270,431	\$ 258,324
Special Revenue Funds	265,000	152,956	(112,044)
Debt Service Fund	10,515,500	10,332,928	(182,572)
Capital Project Funds	11,650,000	10,475,645	(1,174,355)
Fiduciary:			
Expendable Trust Funds	157,190	193,812	36,622
Agency Fund	<u>205,634</u>	<u>269,011</u>	<u>63,377</u>
Total (Memorandum Only)	\$ <u>25,805,431</u>	\$ <u>24,694,783</u>	\$ <u>(1,110,648)</u>

The accompanying notes are an integral part of these financial statements

# VILLAGE OF GATES MILLS, OHIO

## COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH EXPENDITURE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Types/Funds</u>	1999 <u>Appropriations</u>	1999 <u>Disbursements</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental:			
General Fund	\$ 3,066,200	\$ 2,720,367	\$ 345,833
Special Revenue Funds	171,000	163,832	7,168
Debt Service Fund	10,421,500	10,421,472	28
Capital Projects Funds	16,430,000	14,047,391	2,382,609
Fiduciary:			
Expendable Trust Funds	154,000	140,358	13,642
Agency Funds	<u>291,000</u>	<u>285,239</u>	<u>5,761</u>
Total (Memorandum Only)	\$ <u>30,533,700</u>	\$ <u>27,778,659</u>	\$ <u>2,755,041</u>

The accompanying notes are an integral part of these financial statements

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**VILLAGE OF GATES MILLS, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND  
SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Receipts</u>				
Local Taxes	\$ 2,481,903	\$ -	\$ -	\$ -
Intergovernmental Revenues	138,768	81,762	-	165,323
Special Assessments	-	-	-	306,903
Charges for Services	-	56,661	-	-
Fines, Licenses, and Permits	111,594	-	-	-
Miscellaneous	<u>402,023</u>	<u>2,645</u>	<u>-</u>	<u>49,907</u>
Total Receipts	<u>3,134,288</u>	<u>141,068</u>	<u>-</u>	<u>522,133</u>
<u>Disbursements</u>				
Security of Persons and Property	962,412	1,401	-	-
Public Health Services	-	11,242	-	-
Leisure Time Activities	14,459	64,508	-	-
Community Environment	43,865	-	-	-
Basic Utility Services	238,737	-	-	-
Transportation	742,336	79,908	-	-
General Government	810,195	-	-	-
Capital Outlay	-	-	-	1,939,992
Debt Service:				
Principal Retirement	-	-	199,521	-
Interest and Fiscal Charges	-	-	232,017	-
Total Disbursements	<u>2,812,004</u>	<u>157,059</u>	<u>431,538</u>	<u>1,939,992</u>
Total Receipts Over/(Under) Disbursements	<u>322,284</u>	<u>(15,991)</u>	<u>(431,538)</u>	<u>(1,417,859)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Debt	-	-	-	5,009,139
Operating Transfers-In	75,000	17,000	431,538	-
Operating Transfers-Out	(204,500)	-	-	(391,038)
Other Sources	-	-	88,849	-
Other Uses	-	-	-	-
Total Other Financing Sources/(Uses)	<u>(129,500)</u>	<u>17,000</u>	<u>520,387</u>	<u>4,618,101</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	192,784	1,009	88,849	3,200,242
Beginning Fund Cash Balance	<u>1,608,927</u>	<u>18,675</u>	<u>3,203</u>	<u>2,493,830</u>
Ending Fund Cash Balance	\$ <u>1,801,711</u>	\$ <u>19,684</u>	\$ <u>92,052</u>	\$ <u>5,694,072</u>

The accompanying notes are an integral part of these financial statements

Fiduciary Fund Type	Total (Memorandum Only)
Expendable Trust	
\$ 45,789	\$ 2,527,692
-	385,853
-	306,903
-	56,661
-	111,594
-	454,575
<u>45,789</u>	<u>3,843,278</u>

114,578	1,078,391
-	11,242
-	78,967
-	43,865
-	238,737
-	822,244
-	810,195
-	1,939,992
-	199,521
-	232,017
<u>114,578</u>	<u>5,455,171</u>
<u>(68,789)</u>	<u>(1,611,893)</u>

-	5,009,139
72,000	595,538
-	(595,538)
28,046	116,895
<u>(24,623)</u>	<u>(24,623)</u>
<u>75,423</u>	<u>5,101,411</u>

6,634	3,489,518
<u>154,748</u>	<u>4,279,383</u>
\$ <u>161,382</u>	\$ <u>7,768,901</u>

**VILLAGE OF GATES MILLS, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES – AGENCY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Agency Funds</u>
<u>Non-Operating Revenue</u>	
Local Taxes	\$ 153,112
Miscellaneous	<u>96,690</u>
Total Non-Operating Revenue	249,802
<u>Non-Operating Expenses</u>	
Other Non-Operating Expenses	<u>221,267</u>
Net Income	28,535
Beginning Cash Balance	<u>164,408</u>
Ending Cash Balance	\$ <u>192,943</u>

**VILLAGE OF GATES MILLS, OHIO**

**COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental:			
General Fund	\$ 2,890,282	\$ 3,209,288	\$ 319,006
Special Revenue Funds	256,000	158,068	(97,932)
Debt Service Fund	391,000	520,387	129,387
Capital Project Funds	6,000,000	5,531,272	(468,728)
Fiduciary:			
Expendable Trust Funds	148,763	145,835	(2,928)
Agency Fund	<u>202,212</u>	<u>249,802</u>	<u>47,590</u>
Total (Memorandum Only)	\$ <u>9,888,257</u>	\$ <u>9,814,652</u>	\$ <u>(73,605)</u>

The accompanying notes are an integral part of these financial statements

**VILLAGE OF GATES MILLS, OHIO**

COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH  
EXPENDITURE AUTHORITY

**FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>Fund Types/Funds</u>	1998 <u>Appropriations</u>	1998 <u>Disbursements</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental:			
General Fund	\$ 3,132,600	\$ 3,016,504	\$ 116,096
Special Revenue Funds	166,000	157,059	8,941
Debt Service Fund	490,500	431,538	58,962
Capital Projects Funds	5,928,500	2,331,030	3,597,470
Fiduciary:			
Expendable Trust Funds	153,500	139,201	14,299
Agency Funds	<u>228,700</u>	<u>221,267</u>	<u>7,433</u>
Total (Memorandum Only)	\$ <u>10,099,800</u>	\$ <u>6,296,599</u>	\$ <u>3,803,201</u>

The accompanying notes are an integral part of these financial statements

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. DESCRIPTION OF THE ENTITY

The Village of Gates Mills is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: public safety and public services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

#### B. BASIS OF ACCOUNTING

The Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded in the financial statements by the Village under the basis of accounting used. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations.

#### C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest is recognized and recorded when received.

#### D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

#### GOVERNMENTAL FUNDS

##### General Fund

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

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999 AND 1998

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. FUND ACCOUNTING (CONTINUED)

##### Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes.

##### Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long term and special assessment debt principal and interest.

##### Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities.

#### FIDUCIARY FUNDS

##### Trust and Agency Funds

To account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) Expendable Trust Funds and (b) Agency Funds.

#### E. BUDGETARY PROCESS

##### 1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

##### 2. Estimated Resources

The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown on the accompanying financial statements do not include January 1, 1999 and 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999 AND 1998

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. BUDGETARY PROCESS (CONTINUED)

##### 3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

##### 4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations.

#### F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general government service are recorded as expenditures. Depreciation is not recorded for those fixed assets.

#### G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**VILLAGE OF GATES MILLS, OHIO**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 1999 AND 1998**

**NOTE 2 - OUTSTANDING DEBT**

**A. LONG-TERM DEBT**

Long-term debt at December 31, 1999 consisted of the following:

	<u>Balance at</u> <u>12/31/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/99</u>
OWDA, 1998 (6.51%)	\$ 3,390,004	\$ -	\$ 95,349	\$ 3,294,655
OWDA, 1999	-	3,584,340	-	3,584,340
OPWC, 1995 (0%)	1,601,053	59,964	-	1,661,017
OWDA Water System Improvement Note, 1998	4,900,000	-	4,900,000	-
OWDA Water System Improvement Note, 1999	-	4,900,000	4,900,000	-
	<u>\$ 9,891,057</u>	<u>\$ 8,544,304</u>	<u>\$ 9,895,349</u>	<u>\$ 8,540,012</u>

The Ohio Public Works Commission Loan Funds have been received, however, repayment will begin in July 2000 upon completion of Phase II of the Water Main Installation Project.

The annual requirements to amortize all long-term debt outstanding as of December 31, 1999, including interest payments of \$4,988,810 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>OWDA</u> <u>Loans</u>	<u>OPWC</u> <u>Loans</u>
2000	\$ 624,994	\$ 41,525
2001	624,994	83,051
2002	624,994	83,051
2003	624,994	83,051
2004	624,994	83,051
2005-2009	3,124,970	415,255
2010-2014	3,124,970	415,255
2015-2019	2,492,895	415,255
2020-2021	<u>2,492,895</u>	<u>41,523</u>
Total	<u>\$ 11,867,805</u>	<u>\$ 1,661,017</u>

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 1999 AND 1998

#### NOTE 3 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1994. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 50 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for all Village operations for the years ended December 31, 1999 and 1998, was \$10.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 and 1998 property tax receipts were based are as follows:

<u>Category</u>	<u>1999</u> <u>Assessed Value</u>	<u>1998</u> <u>Assessed Value</u>
Real Estate	\$ 152,206,160	\$ 150,283,360
Public Utility	2,794,550	2,672,990
Tangible Personal	633,346	637,881
Total Valuation	\$ <u>155,634,056</u>	\$ <u>153,594,231</u>

#### NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources for a majority of the Village's individual funds are combined to form a pool of cash and investments which are stated at cost and amortized cost.

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 1999 AND 1998**

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### NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

The Village may invest any monies not required to be used for a period of six months in the following classes of investments:

- Bonds, notes or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;
- Discount notes of the Federal National Mortgage Association;
- Bonds of the State of Ohio; and
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Village places deposits must pledge as collateral eligible securities with an aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority.

The carrying amount of the Village's deposits were as follows:

	<u>1999</u>	<u>1998</u>
Demand Deposits	\$ 425,103	\$ 470,468
Certificates of Deposit	-	<u>1,400,000</u>
Total Deposits	<u>\$ 425,103</u>	<u>\$ 1,870,468</u>

Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 1999 AND 1998**

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### NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

The Village's investments are detailed below and are categorized to give an indication of the level of risk assumed by the Village at year end. The Village's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Village's name.

<u>Description</u>	<u>1999</u>		
	<u>Risk Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Securities	\$ 4,152,865	\$ 4,152,865	\$ 4,152,865
Repurchase Agreement	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
	\$ <u>4,452,865</u>	\$ <u>4,452,865</u>	\$ <u>4,452,865</u>

  

<u>Description</u>	<u>1998</u>		
	<u>Risk Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Securities	\$ <u>6,091,376</u>	\$ <u>6,091,376</u>	\$ <u>6,091,376</u>

### NOTE 5 - LOCAL INCOME TAX

This locally levied tax of one percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of Gates Mills and to earnings of non-residents (except certain transients) earned in the village. It also applies to net income of business organizations conducted within the Village of Gates Mills. Tax receipts are credited to the General Fund and amounted to \$1,183,193 in 1999 and \$1,132,762 in 1998.

### NOTE 6 - INSURANCE

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 1999 AND 1998

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#### NOTE 7 - DEFINED BENEFIT PENSION PLANS

##### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village of Gates Mills contributes to the Public Employees Retirement System of Ohio ("System"), a cost-sharing multiple-employer public employee retirement system administered by the Public Employee Retirement Board. The System provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Village is required to contribute 9.35 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Village's contributions to the System for the years ended December 31, 1999, 1998 and 1997 were \$81,116, \$78,417, and \$67,984, respectively, equal to the required contributions for each year.

##### B. OHIO POLICE AND FIRE PENSION FUND

The Village of Gates Mills contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The Village of Gates Mills contributions to OP&F for the years ending December 31, 1999, 1998, and 1997, were \$108,823, \$114,578, and \$118,506, respectively, equal required contributions for each year.

#### NOTE 8 - POSTEMPLOYMENT BENEFITS

##### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

PERS of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The Health Care coverage provided by the Retirement Systems is considered in Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS of Ohio is set aside for the funding of postretirement health care based on the authority granted by State statutes. During 1999, the employer contribution rate was 13.55 percent. The portion that was used to fund health care benefits in 1999 was 4.2 percent. Postretirement health care benefits are established by state statute.

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 1999 AND 1998

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#### NOTE 8 - POSTEMPLOYMENT BENEFITS (CONTINUED)

##### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

For 1999 and 1998, benefits are funded on a pay-as-you-go basis. Prior to 1997, benefits were advances funded using the entry age normal costing method. OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets are periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

For 1999:

Expenditures for OPEB were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1998 was 118,062. The Village's actual contributions for 1999, which were used to fund postemployment benefits, were \$36,437. The actual contribution and the actuarially required contribution rate are the same.

For 1998:

Expenditures for OPEB were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1997 was 115,579. The Village's actual contributions for 1998, which were used to fund postemployment benefits, were \$35,225. The actual contribution and the actuarially required contribution rate are the same.

##### B. OHIO POLICE AND FIRE PENSION FUND

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered on Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll of which 7.0 percent was applied to postemployment health care expenses. The Ohio Revised code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. The Board defined allocation was 6.5 percent and 7.0 percent of covered payroll in 1998 and 1999, respectively. The allocation is 7.25 percent in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

**VILLAGE OF GATES MILLS, OHIO**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 1999 AND 1998**

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**NOTE 8 - POSTEMPLOYMENT BENEFITS (CONTINUED)**

**B. OHIO POLICE AND FIRE PENSION FUND (CONTINUED)**

For 1999:

The number of participants eligible to receive health care benefits as of December 31, 1998, the date of the last actuarial valuation available, was 11,424 for police. The Village's actual contributions for 1999 that were used to fund postemployment benefits were \$39,065 for police. OP&F's total health care expenses for the year ending December 31, 1998, the date of the latest actuarial valuation available, was \$78,596,790, which was net of member contributions of \$5,331,515.

For 1998:

The number of participants eligible to receive health care benefits as of December 31, 1997 was 11,239 for police. The Village's actual contributions for 1998 that were used to fund postemployment benefits were \$38,193 for police. OP&F's total health care expenses for the year ending December 31, 1997, the date of the latest actuarial valuation available, was \$76,459,832.

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

Honorable Mayor and  
Members of Council  
Village of Gates Mills, Ohio

We have audited the financial statements of the Village of Gates Mills, Ohio (the "Village"), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 17, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as Item 99-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor and  
Members of Council  
Village of Gates Mills, Ohio

February 17, 2000

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

A handwritten signature in cursive script, appearing to read "C. J. ...".

Cleveland, Ohio  
February 17, 2000

**VILLAGE OF GATES MILLS, OHIO**

SCHEDULE OF FINDINGS

**DECEMBER 31, 1999 AND 1998**

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**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(I)(I)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes

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

- 99-1 Ohio Revised Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations exceeded estimated revenue in the Debt Service and Expendable Trust Funds in 1998.

**3. OTHER FINDINGS**

None.

**VILLAGE OF GATES MILLS, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 1999 AND 1998**

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There were no prior audit findings.

# VILLAGE OF GATES MILLS

## RESPONSE TO FINDINGS ASSOCIATED WITH AUDIT CONDUCTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
99-1	The Village will monitor appropriations to ensure that they do not exceed estimated resources	Not applicable	John Mino, Clerk



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370

Facsimile 614-466-4490

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.

By: Susan Babbitt

Date: JUNE 13, 2000