

# **Village of Gates Mills**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2001 AND 2000**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Township Trustees  
Village of Gates Mills  
1470 Chagrin Road  
Gates Mills, Ohio 44040

We have reviewed the Independent Auditor's Report of the Village of Gates Mills, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2000 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

May 15, 2002

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# VILLAGE OF GATES MILLS, OHIO

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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## Independent Auditors' Report

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, 2001 and 2000, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As 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 accounting principles generally accepted in the United States of America

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, 2001 and 2000, 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 January 29, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Gates Mills Village Council, Village 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  
January 29, 2002

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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, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Receipts</u>				
Local Taxes	\$ 2,868,542	\$ -	\$ -	\$ -
Intergovernmental Revenues	144,822	97,823	-	465,318
Special Assessments	-	-	-	622,436
Charges for Services	-	42,720	-	308,497
Fines, Licenses, and Permits	190,823	-	-	-
Miscellaneous	<u>361,691</u>	<u>-</u>	<u>-</u>	<u>31,969</u>
Total Receipts	<u>3,565,878</u>	<u>140,543</u>	<u>-</u>	<u>1,428,220</u>
<u>Disbursements</u>				
Security of Persons and Property	1,089,593	19,341	-	-
Public Health Services	-	6,572	-	-
Leisure Time Activities	7,163	57,997	-	-
Community Environment	43,283	-	-	-
Basic Utility Services	232,907	-	-	-
Transportation	720,786	83,191	-	-
General Government	1,001,628	-	-	-
Capital Outlay	-	-	-	2,226,206
Debt Service:				
Principal Retirement	-	-	-	305,550
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,444</u>
Total Disbursements	<u>3,095,360</u>	<u>167,101</u>	<u>-</u>	<u>2,851,200</u>
Total Receipts Over (Under) Disbursements	<u>470,518</u>	<u>(26,558)</u>	<u>-</u>	<u>(1,422,980)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Debt	-	-	-	2,384,800
Operating Transfers – In	-	19,500	-	380,000
Advances – In	-	-	-	1,000,000
Operating Transfers – Out	(469,500)	-	-	-
Advances – Out	-	-	-	(1,000,000)
Other Sources	-	19	-	-
Other Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,198)</u>
Total Other Financing Sources (Uses)	<u>(469,500)</u>	<u>19,519</u>	<u>-</u>	<u>2,721,602</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	1,018	(7,039)	-	1,298,622
Beginning Fund Cash Balance	<u>1,946,332</u>	<u>20,245</u>	<u>2,730</u>	<u>1,689,955</u>
Ending Fund Cash Balance	<u>\$ 1,947,350</u>	<u>\$ 13,206</u>	<u>\$ 2,730</u>	<u>\$ 2,988,577</u>

The accompanying notes are an integral part of these financial statements

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<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ 54,792	\$ 2,923,334
-	707,963
-	622,436
-	351,217
-	190,823
-	393,660
<u>54,792</u>	<u>5,189,433</u>
121,087	1,230,021
-	6,572
-	65,160
-	43,283
-	232,907
-	803,977
-	1,001,628
-	2,226,206
-	305,550
-	319,444
<u>121,087</u>	<u>6,234,748</u>
<u>(66,295)</u>	<u>(1,045,315)</u>
-	2,384,800
70,000	469,500
-	1,000,000
-	(469,500)
-	(1,000,000)
81,501	81,520
<u>(70,792)</u>	<u>(113,990)</u>
<u>80,709</u>	<u>2,352,330</u>
14,414	1,307,015
<u>198,990</u>	<u>3,858,252</u>
\$ <u>213,404</u>	\$ <u>5,165,267</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, 2001**

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	<u>Agency Funds</u>
<u>Operating Revenues</u>	
Local Taxes	\$ 182,640
Miscellaneous	<u>1,986</u>
Total Operating Revenues	<u>184,626</u>
<u>Operating Expenses</u>	
Contractual Services	58,183
Reimbursements Paid	<u>217,639</u>
Total Operating Expenses	<u>275,822</u>
Operating Loss	<u>(91,196)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Other Non-Operating Revenues	45,995
Other Non-Operating Expenses	<u>(6,300)</u>
Total Non-Operating Revenues (Expenses)	<u>39,695</u>
Net Revenues Over (Under) Expenses	(51,501)
Beginning Cash Balance	<u>209,816</u>
Ending Cash Balance	\$ <u><u>158,315</u></u>

The accompanying notes are an integral part of these financial statements

# VILLAGE OF GATES MILLS, OHIO

## COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL

### FOR THE YEAR ENDED DECEMBER 31, 2001

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<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental:			
General Fund	\$ 3,338,434	\$ 3,565,878	\$ 227,444
Special Revenue Funds	363,500	160,062	(203,438)
Capital Project Funds	8,998,000	5,193,020	(3,804,980)
Fiduciary:			
Expendable Trust Funds	153,548	206,293	52,745
Agency Fund	<u>228,491</u>	<u>230,621</u>	<u>2,130</u>
Total (Memorandum Only)	\$ <u>13,081,973</u>	\$ <u>9,355,874</u>	\$ <u>(3,726,099)</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, 2001**

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<u>Fund Types/Funds</u>	2001 <u>Appropriations</u>	2001 <u>Disbursements</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental:			
General Fund	\$ 4,066,800	\$ 3,564,860	\$ 501,940
Special Revenue Funds	212,000	167,101	44,899
Capital Project Funds	6,363,000	3,894,398	2,468,602
Fiduciary:			
Expendable Trust Funds	223,500	191,879	31,621
Agency Fund	<u>302,000</u>	<u>282,122</u>	<u>19,878</u>
Total (Memorandum Only)	\$ <u>11,167,300</u>	\$ <u>8,100,360</u>	\$ <u>3,066,940</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, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Receipts</u></b>				
Local Taxes	\$ 2,810,584	\$ -	\$ -	\$ -
Intergovernmental Revenues	144,491	92,408	-	1,057,460
Special Assessments	-	-	-	610,065
Charges for Services	-	53,069	-	117,386
Fines, Licenses, and Permits	123,272	-	-	-
Miscellaneous	383,981	-	-	80,100
Total Receipts	3,462,328	145,477	-	1,865,011
<b><u>Disbursements</u></b>				
Security of Persons and Property	995,736	7,308	-	-
Public Health Services	-	5,430	-	-
Leisure Time Activities	5,960	52,834	-	-
Community Environment	47,100	-	-	-
Basic Utility Services	204,356	-	-	-
Transportation	1,498,550	88,968	-	-
General Government	830,569	-	-	-
Capital Outlay	-	-	-	1,774,064
Debt Service:				
Principal Retirement	-	-	-	283,484
Interest and Fiscal Charges	-	-	-	424,524
Total Disbursements	3,582,271	154,540	-	2,482,072
Total Receipts Over (Under) Disbursements	(119,943)	(9,063)	-	(617,061)
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers – In	-	20,500	-	200,000
Advances – In	-	-	-	1,405,100
Operating Transfers – Out	(285,500)	-	-	-
Advances – Out	-	-	-	(1,405,100)
Other Sources	-	-	-	-
Other Uses	-	-	(778)	(15,310)
Total Other Financing Sources (Uses)	(285,500)	20,500	(778)	184,690
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(405,443)	11,437	(778)	(432,371)
Beginning Fund Cash Balance	2,351,775	8,808	3,508	2,122,326
Ending Fund Cash Balance	\$ <u>1,946,332</u>	\$ <u>20,245</u>	\$ <u>2,730</u>	\$ <u>1,689,955</u>

The accompanying notes are an integral part of these financial statements

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<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ 47,424	\$ 2,858,008
-	1,294,359
-	610,065
-	170,455
-	123,272
-	464,081
<u>47,424</u>	<u>5,520,240</u>
117,033	1,120,077
-	5,430
-	58,794
-	47,100
-	204,356
-	1,587,518
-	830,569
-	1,774,064
-	283,484
-	424,524
<u>117,033</u>	<u>6,335,916</u>
<u>(69,609)</u>	<u>(815,676)</u>
65,000	285,500
-	1,405,100
-	(285,500)
-	(1,405,100)
39,308	39,308
<u>(50,545)</u>	<u>(66,633)</u>
<u>53,763</u>	<u>(27,325)</u>
(15,846)	(843,001)
<u>214,836</u>	<u>4,701,253</u>
\$ <u>198,990</u>	\$ <u>3,858,252</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, 2000**

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	<u>Agency Funds</u>
<u>Operating Revenue</u>	
Local Taxes	\$ 159,712
<u>Operating Expenses</u>	
Reimbursements Paid	<u>193,635</u>
Operating Loss	<u>(33,923)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Other Non-Operating Revenues	73,609
Other Non-Operating Expenses	<u>(6,585)</u>
Total Non-Operating Revenues (Expenses)	<u>67,024</u>
Net Revenues Over (Under) Expenses	33,101
Beginning Cash Balance	<u>176,715</u>
Ending Cash Balance	\$ <u><u>209,816</u></u>

The accompanying notes are an integral part of these financial statements

# **VILLAGE OF GATES MILLS, OHIO**

## COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL

### **FOR THE YEAR ENDED DECEMBER 31, 2000**

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<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental:			
General Fund	\$ 3,249,367	\$ 3,462,328	\$ 212,961
Special Revenue Funds	277,500	165,977	(111,523)
Capital Project Funds	4,700,000	3,470,111	(1,229,889)
Fiduciary:			
Expendable Trust Funds	147,630	151,732	4,102
Agency Fund	<u>208,668</u>	<u>233,321</u>	<u>24,653</u>
Total (Memorandum Only)	\$ <u>8,583,165</u>	\$ <u>7,483,469</u>	\$ <u>(1,099,696)</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, 2000**

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<u>Fund Types/Funds</u>	2000 <u>Appropriations</u>	2000 <u>Disbursements</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental:			
General Fund	\$ 4,020,100	\$ 3,867,771	\$ 152,329
Special Revenue Funds	185,500	154,540	30,960
Debt Service Fund	778	778	-
Capital Project Funds	5,984,500	3,902,482	2,082,018
Fiduciary:			
Expendable Trust Funds	197,100	167,578	29,522
Agency Fund	<u>280,000</u>	<u>200,220</u>	<u>79,780</u>
Total (Memorandum Only)	\$ <u>10,667,978</u>	\$ <u>8,293,369</u>	\$ <u>2,374,609</u>

The accompanying notes are an integral part of these financial statements

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2001 AND 2000

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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, 2001 AND 2000

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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, 2001 and 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

# **VILLAGE OF GATES MILLS, OHIO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **DECEMBER 31, 2001 AND 2000**

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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, 2001 AND 2000

#### NOTE 2 - OUTSTANDING LONG-TERM DEBT

Long-term debt at December 31, 2001 and 2000 consisted of the following:

	<u>Balance at</u> <u>12/31/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/00</u>
OWDA, 1998 (6.51%)	\$ 3,294,655	\$ -	\$ 101,557	\$ 3,193,098
OWDA, 1999 (5.86%)	3,584,340	-	98,913	3,485,427
OPWC, 1995 (0%)	<u>1,661,017</u>	<u>-</u>	<u>83,014</u>	<u>1,578,003</u>
	<u>\$ 8,540,012</u>	<u>\$ -</u>	<u>\$ 283,484</u>	<u>\$ 8,256,528</u>
	<u>Balance at</u> <u>12/31/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/01</u>
OWDA, 1998 (6.51%)	\$ 3,193,098	\$ -	\$ 108,167	\$ 3,084,931
OWDA, 1999	3,485,427	-	104,710	3,380,717
OPWC, 1995 (0%)	1,578,003	-	83,053	1,494,950
OPWC, 2001 (0%)	-	384,800	9,620	375,180
Street Improvement Note, 2001	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
	<u>\$ 8,256,528</u>	<u>\$ 2,384,800</u>	<u>\$ 305,550</u>	<u>\$ 10,335,778</u>

The Ohio Public Works Commission Loan Funds have been received and repayment began in 2000 for the Water Main Installation Project and in 2001 for the Sanitary Sewer and WWTP Improvements Project.

The Street Improvement Note will be repaid June 2002 at a rate of 3.35%.

The annual requirements to amortize all long-term debt outstanding as of December 31, 2001, including interest payments of \$4,152,169 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>OWDA</u> <u>Loans</u>	<u>OPWC</u> <u>Loans</u>
2002	\$ 624,994	\$ 102,293
2003	624,994	102,293
2004	624,994	102,293
2005	624,994	102,293
2006	624,994	102,293
2007-2011	3,124,970	511,464
2012-2016	3,124,970	511,464
2017-2021	<u>1,242,907</u>	<u>335,737</u>
Total	<u>\$ 10,617,817</u>	<u>\$ 1,870,130</u>

# VILLAGE OF GATES MILLS, OHIO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001 AND 2000

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#### 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, 2001 and 2000, was \$10.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 and 2000 property tax receipts were based are as follows:

<u>Category</u>	<u>2001</u> <u>Assessed Value</u>	<u>2000</u> <u>Assessed Value</u>
Real Estate	\$ 177,641,310	\$ 156,933,020
Public Utility	2,766,070	2,951,730
Tangible Personal	617,334	583,289
Total Valuation	\$ <u>181,024,714</u>	\$ <u>160,468,039</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, 2001 AND 2000**

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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>2001</u>	<u>2000</u>
Demand Deposits	\$ <u>653,812</u>	\$ <u>162,941</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, 2001 AND 2000

#### 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>2001</u>			
<u>Description</u>	<u>Risk Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Securities	\$ 1,455,496	\$ 1,455,496	\$ 1,455,496
STAROhio*	-	<u>3,214,274</u>	<u>3,214,274</u>
	<u>\$ 1,455,496</u>	<u>\$ 4,669,770</u>	<u>\$ 4,669,770</u>

  

<u>2000</u>			
<u>Description</u>	<u>Risk Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Securities	\$ 3,700,122	\$ 3,700,122	\$ 3,700,122
STAROhio*	-	<u>205,005</u>	<u>205,005</u>
	<u>\$ 3,700,122</u>	<u>\$ 3,905,127</u>	<u>\$ 3,905,127</u>

\* Non-categorized.

STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio 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. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001 and 2000.

#### 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 \$1,349,720 in 2001 and \$1,408,200 in 2000.

# **VILLAGE OF GATES MILLS, OHIO**

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **DECEMBER 31, 2001 AND 2000**

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#### **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.

#### **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 (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee Retirement Board. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members, other than law enforcement employees, are required to contribute 8.5 percent of their salary to the Plan. The Village was required to contribute 13.55 percent for the years ending December 31, 2001 and 1999. For the year ending December 31, 2000, the Village was required to contribute 10.84 percent of covered payroll. During 2000, the Retirement Board instituted a temporary employer contribution rate rollback. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The rate rollback was 20 percent and the 2000 employee contribution rate was reduced from 13.55 percent to 10.84 percent. The Village's contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$110,825, \$103,979, and \$117,553, 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. Contribution requirements and 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, 2001, 2000, and 1999, were \$121,087, \$117,033, and \$108,823, respectively, equal required contributions for each year.

# **VILLAGE OF GATES MILLS, OHIO**

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **DECEMBER 31, 2001 AND 2000**

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#### **NOTE 8 - POSTEMPLOYMENT BENEFITS**

##### **A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Public Employees' Retirement System (PERS) of Ohio provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered in Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. During 2001, the employer contribution rate was 13.55 percent. The portion that was used to fund health care benefits in 2001 was 4.3 percent. The employer contribution rate was rolled back for the year 2000. The employer contribution rate was 10.84 percent of covered payroll, of which 4.30 percent was used to fund health care for the year. During 1999, the employer contribution rate was 13.55 percent, of which 4.20 percent was used to fund health care for that year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

For 2001 and 2000, the postretirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on PERS' latest actuarial review performed as of December 31, 2000 (assumptions and calculations were the same for the actuarial review performed as of December 31, 1999): An entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 2000 and 1999 was 7.75 percent; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used, i.e., assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.75 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.75 percent base increase were assumed to range from 0.54 percent to 5.1 percent; and health care costs are assumed to increase 4.75 percent annually.

For 2001:

The actuarially accrued postretirement health care liability for PERS at December 31, 2000 was \$14,364,600,000. The net assets were \$11,735,900,000, leaving an unfunded actuarial accrued liability of \$2,628,700,000. The number of active contributing participants was 411,076. The Village's actual contributions for 2001, which were used to fund postemployment benefits, were \$35,170.

For 2000:

The actuarially accrued postretirement health care liability for PERS at December 31, 1999 was \$12,473,600,000. The net assets were \$10,805,500,000, leaving an unfunded actuarial accrued liability of \$1,668,100,000. The number of active contributing participants was 401,339. The Village's actual contributions for 2000, which were used to fund postemployment benefits, were \$41,246.

# **VILLAGE OF GATES MILLS, OHIO**

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **DECEMBER 31, 2001 AND 2000**

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

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

The Ohio Police and Fire Pension Fund (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 an 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 contribution rate is 19.50 percent of covered payroll of which 7.50 percent, 7.25 percent, and 7.00 percent were applied to the postemployment health care program for 2001, 2000, and 1999, respectively. Health care funding and accounting is on a pay-as-you-go basis. The Board defined allocation was 7.25 percent and 7.50 percent of covered payroll in 2000 and 2001, respectively. The allocation is 7.75 percent in 2002. 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.

For 2001:

The number of participants eligible to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation available, was 12,853 for police. The Village's actual contributions for 2001 that were used to fund postemployment benefits were \$46,572 for police. OP&F's total health care expenses for the year ending December 31, 2000, the date of the latest actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

For 2000:

The number of participants eligible to receive health care benefits as of December 31, 1999, the date of the latest actuarial valuation available at December 31, 2000, was 12,467 for police. The Village's actual contributions for 2000 that were used to fund postemployment benefits were \$43,512 for police. OP&F's total health care expenses for the year ending December 31, 1999, the date of the latest actuarial valuation available at December 31, 2000, was \$95,004,633, which was net of member contributions of \$5,518,098.

**Report On Compliance And On Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With *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, 2001 and 2000, and have issued our report thereon dated January 29, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, which we have reported to management of the Village in a separate letter dated January 29, 2002.

This report is intended for the information and use of the Gates Mills' 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.

*Ciani & Partners, Inc.*

Cleveland, Ohio  
January 29, 2002

# **VILLAGE OF GATES MILLS, OHIO**

## SCHEDULE OF FINDINGS

**DECEMBER 31, 2001 AND 2000**

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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)?	No

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

None.

### **3. OTHER FINDINGS**

None.

# **VILLAGE OF GATES MILLS, OHIO**

## SCHEDULE OF PRIOR AUDIT FINDINGS

**DECEMBER 31, 2001 AND 2000**

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Explanation</u>
99-1	The Village will monitor appropriations to ensure that they do not exceed estimated resources	Yes	Properly monitored appropriations

**VILLAGE OF GATES MILLS**

**1470 CHAGRIN RIVER ROAD  
GATES MILLS, OHIO 44040-0339  
(440) 423-4405**

RESPONSE TO FINDINGS ASSOCIATED WITH AUDIT CONDUCTED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Not applicable.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 23, 2002**