

Village of Gates Mills, Ohio

Management's Discussion and Analysis

For the Years Ended December 31, 2017 and 2016

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, 2017 and December 31, 2016, 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 2017, net position of governmental activities increased \$201,869 (4.59%) from 2016. In 2016, net position of governmental activities increased \$85,134 (1.97%) from 2015.
- The Village's general receipts are primarily composed of property and municipal income taxes. Property tax income was \$23,333 (1.02%) higher in 2017 than 2016. In 2016, property tax income was \$30,772 (1.36%) higher in 2016 than 2015.
- In 2017, the municipal income tax received was \$95,433 (5.77%) less than the amount received in 2016. In 2016, the municipal income tax received was \$101,090 (5.76%) less than the amount received in 2015.
- In 2017, net position of the business-type activities decreased \$68,632 (17.44%) from 2016. In 2016, net position of the business-type activities increased \$17,373 (4.62%) from 2015.

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 Statements of Net Position – Cash Basis and the Statements 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.

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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 – Cash Basis and the Statements of Activities – Cash Basis reflect how the Village did financially during 2017 and 2016, within the limitations of cash basis accounting. The Statements of Net Position – Cash Basis present the cash balances of the governmental and business-type activities of the Village at year-end. The Statements of Activities – Cash Basis 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 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 and income taxes.

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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.

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 2017 and 2016, 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 two Fiduciary Funds, the Building Bond Deposit Fund and the Mayor's Court Fund. The Mayor's Court Fund was established during 2017.

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The Village as a Whole

Table 1 provides a summary of the Village's net position for 2017, 2016, and 2015 on a cash basis:

Table 1
Governmental Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,600,563</u>	\$ <u>4,398,694</u>	\$ <u>4,313,560</u>
Total Assets	<u>4,600,563</u>	<u>4,398,694</u>	<u>4,313,560</u>
Net Position:			
Restricted for:			
Debt Service	2,730	2,730	2,730
Other Purposes	192,982	262,636	118,717
Unrestricted	<u>4,404,851</u>	<u>4,133,328</u>	<u>4,192,113</u>
Total Net Position	\$ <u>4,600,563</u>	\$ <u>4,398,694</u>	\$ <u>4,313,560</u>

Business-Type Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>324,986</u>	\$ <u>393,618</u>	\$ <u>376,245</u>
Total Assets	<u>324,986</u>	<u>393,618</u>	<u>376,245</u>
Net Position:			
Unrestricted	<u>324,986</u>	<u>393,618</u>	<u>376,245</u>
Total Net Position	\$ <u>324,986</u>	\$ <u>393,618</u>	\$ <u>376,245</u>

Net position of governmental activities increased \$201,869 or 4.59% during 2017 and increased \$85,134 or 1.97% during 2016. In 2017, this increase was due primarily to an increase in county reimbursements received and an increase in earnings on investments, as a result of increased interest rates and funds invested. In 2016, the primary reason contributing to the variance was an overall decrease in expenditures in various departments.

Net position of business-type activities decreased \$68,632 or 17.44% during 2017 and increased \$17,373 or 4.62% during 2016. In 2016, the Village was invoiced and expensed both the 2015 and 2016 annual sewer inspections, therefore causing an increase in wastewater expenditures from 2015. In 2017, the Village requested Cuyahoga County to invoice the Village on an annual basis, instead of a bi-annual basis. This was done to allow for better budgeting of these expenses going forward. Since the Village expensed one year of sewer inspection fees in 2017, a decrease of wastewater expenditures occurred between 2016 and 2017. Table 2 reflects the changes in net position on a cash basis in 2017, 2016 and 2015 for governmental activities.

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Table 2
Changes in Governmental Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 578,560	\$ 553,634	\$ 561,070
Operating Grants and Contributions	7,626	18,699	10,494
Capital Grants and Special Assessments	-	19,789	-
Total Program Receipts	<u>586,186</u>	<u>592,122</u>	<u>571,564</u>
General Receipts:			
Property Taxes	2,317,185	2,293,852	2,263,080
Municipal Income Taxes	1,558,571	1,654,004	1,755,094
Grants and Entitlements Not Restricted to Specific Programs	567,646	486,522	494,684
Proceeds on Sale of Assets	-	100	-
Earnings on Investments	<u>50,639</u>	<u>23,628</u>	<u>4,560</u>
Total General Receipts	<u>4,494,041</u>	<u>4,458,106</u>	<u>4,517,418</u>
Total Receipts	<u>5,080,227</u>	<u>5,050,228</u>	<u>5,088,982</u>
Disbursements:			
General Government	1,131,476	1,220,643	1,376,873
Security of Persons and Property	1,754,180	1,638,739	1,662,705
Public Health Services	11,266	4,207	9,496
Leisure Time Activities	243,055	220,592	314,744
Community Environment	5,135	4,089	2,934
Basic Utility Services	22,454	26,244	59,549
Transportation	1,064,884	919,265	884,765
Capital Outlay	<u>455,908</u>	<u>581,315</u>	<u>589,292</u>
Total Disbursements	<u>4,688,358</u>	<u>4,615,094</u>	<u>4,900,358</u>
Excess Before Transfers	391,869	435,134	188,624
Transfers	<u>(190,000)</u>	<u>(350,000)</u>	<u>(200,000)</u>
Change in Net Position	201,869	85,134	(11,376)
Net Position, January 1	<u>4,398,694</u>	<u>4,313,560</u>	<u>4,324,936</u>
Net Position, December 31	\$ <u>4,600,563</u>	\$ <u>4,398,694</u>	\$ <u>4,313,560</u>

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Table 2 (continued)

Changes in Business-Type Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 650,426	\$ 644,765	\$ 644,730
Disbursements:			
Water	706,647	653,552	729,498
Wastewater	<u>202,411</u>	<u>323,840</u>	<u>24,413</u>
Total Disbursements	<u>909,058</u>	<u>977,392</u>	<u>753,911</u>
Deficiency Before Transfers	(258,632)	(332,627)	(109,181)
Transfers	<u>190,000</u>	<u>350,000</u>	<u>200,000</u>
Change in Net Position	(68,632)	17,373	90,819
Net Position, January 1	<u>393,618</u>	<u>376,245</u>	<u>285,426</u>
Net Position, December 31	\$ <u><u>324,986</u></u>	\$ <u><u>393,618</u></u>	\$ <u><u>376,245</u></u>

Business-Type Activities

Program receipts of business-type activities are comprised of usage fees and special assessment revenue received to operate water and wastewater services.

Disbursements for business-type net position include water and wastewater activities. Water is the cost of providing water to residents, and wastewater is the cost of providing sanitary sewer to residents. In 2016, the Village was invoiced and expensed both the 2015 and 2016 annual sewer inspections, therefore causing wastewater expenditures to increase 1,226.51% from 2015. In 2017, the Village requested Cuyahoga County to invoice the Village on an annual basis, instead of a bi-annual basis. Therefore, the Village expensed one year of sewer inspection fees for 2017, resulting in a 37.50% decrease of wastewater expenditures from 2016.

Governmental Activities

Program receipts of governmental activities represent only 11.54% in 2017 and 11.72% in 2016 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.

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General receipts of governmental activities represent 88.46% in 2017 and 88.28% in 2016 of total governmental receipts. Of the Village's 2017 total governmental receipts, 45.61% and 30.68% are property and other local taxes and income taxes, respectively. Of the Village's 2016 total governmental receipts, 45.42% and 32.75% are property and other local taxes and income taxes, respectively. Unrestricted intergovernmental grants and entitlements constitute 11.17% of the Village's general receipts during 2017 and 9.63% during 2016. 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 – Cash Basis on pages 14 and 24, 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, Security of Persons and Property, and Transportation, which account for 24.13%, 37.42% and 22.71% of all governmental disbursements in 2017, and 26.45%, 35.51% and 19.92% of all government disbursements in 2016, 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 compare the program receipts to calculate the overall cost of the service. This “net cost” amount represents the cost of the services which are paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

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

Table 3
Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
General Government	\$ 1,131,476	\$ (608,426)	\$ 1,220,643	\$ (707,473)	\$ 1,376,873	\$ (871,930)
Security of Persons and Property	1,754,180	(1,754,180)	1,638,739	(1,636,656)	1,662,705	(1,662,319)
Public Health Services	11,266	(3,766)	4,207	(607)	9,496	(7,196)
Leisure Time Activities	243,055	(225,477)	220,592	(177,885)	314,744	(294,339)
Community Environment	5,135	(5,135)	4,089	(4,089)	2,934	(2,934)
Basic Utility Services	22,454	(22,454)	26,244	(26,244)	59,549	(59,549)
Transportation	1,064,884	(1,064,884)	919,265	(919,265)	884,765	(884,765)
Capital Outlay	<u>455,908</u>	<u>(417,850)</u>	<u>581,315</u>	<u>(550,753)</u>	<u>589,292</u>	<u>(545,762)</u>
Total Expenses	\$ <u>4,688,358</u>	\$ <u>(4,102,172)</u>	\$ <u>4,615,094</u>	\$ <u>(4,022,972)</u>	\$ <u>4,900,358</u>	\$ <u>(4,328,794)</u>

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Business-Type Activities

The water and wastewater operations of the Village are relatively small and are supplemented by transfers from the General Fund. The major activity in the Water Fund is the payment of debt financed by assessments collected by the County Auditor. The net cost to the Village of the water and wastewater operations was \$258,632 for 2017 and \$332,627 for 2016.

The Village's Funds

In 2017, total governmental funds, excluding transfers, had receipts of \$5,080,227 and disbursements of \$4,688,358. The most significant change within governmental funds occurred within the General Fund and Capital Improvement fund. The General Fund balance increased \$388,087 mostly as the result of less transfers out to other funds during the year. The Capital Improvement fund decreased \$112,382 due to large decreases in transfers in from the General fund, offset by an increase in county reimbursement revenue received.

In 2016, total governmental funds, excluding transfers, had receipts of \$5,050,228 and disbursements of \$4,615,094. The most significant change within governmental funds occurred within the General Fund and Capital Improvement fund. The General Fund balance decreased \$197,225 mostly as the result of a decrease in municipal income tax revenue and multiple transfers out to various funds during the year. The Capital Improvement fund increased \$130,419 due to a large increase in transfers from the General Fund for payment of capital improvement expenditures.

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 2017 and 2016, the Village amended its General Fund budget to reflect changing circumstances. In 2017, the difference between final budgeted receipts and actual receipts was favorable; as the Village received \$166,579 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, as the Village spent \$1,792,184 less than was budgeted. The result is an overall increase in fund balance of \$388,087 for 2017.

In 2016, the difference between final budgeted receipts and actual receipts was favorable; as the Village received \$251,762 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, as the Village spent \$141,223 less than was budgeted. The result is an overall decrease in fund balance of \$197,225 for 2016.

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Capital Assets and Debt

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

As of December 31, 2017, the Village's outstanding principal on all loans was \$852,180. See details in Note 11 to the financial statements. Of this amount:

- \$567,585 is for one loan with the Ohio Water Development Authority (OWDA) that is secured by assessments. This loan was for a water project which began in 1995.
- \$207,635 is for a non-interest bearing loan with the Ohio Public Works Commission (OPWC), also for the water project.
- \$76,960 is for a non-interest bearing loan with OPWC for a wastewater project.

As of December 31, 2016, the Village's outstanding principal on all loans was \$1,511,691. See details in Note 11 to the financial statements. Of this amount:

- \$1,124,803 is for two loans with the OWDA that are secured by assessments. These loans were for a water project which began in 1995.
- \$290,688 is for a non-interest bearing loan with the OPWC, also for the water project.
- \$96,200 is for a non-interest bearing loan with OPWC for a wastewater project.

Current Issues

During 2016 and 2017, the Budget and Finance Committees continued to monitor the cash balance of the Village. Department heads were encouraged to try to do more projects in house, if cost efficient. Also, they were 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 and the State's phase out of the real property tax rollbacks is concerning the Village administration. The State's phase out of the real property tax rollbacks 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 these revenue sources, 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.

Based on these concerns, the Mayor called for a Long Range Planning Committee to be formed. The Committee broke down into three sub-committees to review taxes, shared services, and alternative sources of revenue. The work of the Committee produced some ideas that the Village is pursuing in the area of other sources of revenue. One of the ideas implemented in 2017 was the formation of a Mayor's Court Violations Bureau to collect fines and costs for traffic tickets that a person chooses to waive going to court for a hearing. Additionally, Village Council approved a new investment policy, which allows the Village to utilize an investment advisor to handle a portfolio. The Village will be using an investment advisor in accordance with the ordinance and policy in 2018.

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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, Ohio

Statement of Net Position – Cash Basis

December 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,600,563</u>	\$ <u>324,986</u>	\$ <u>4,925,549</u>
Net Position			
Restricted for:			
Debt Service	\$ 2,730	\$ -	\$ 2,730
Other Purposes	192,982	-	192,982
Unrestricted	<u>4,404,851</u>	<u>324,986</u>	<u>4,729,837</u>
Total Net Position	\$ <u>4,600,563</u>	\$ <u>324,986</u>	\$ <u>4,925,549</u>

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

Village of Gates Mills, Ohio

Statement of Activities – Cash Basis

For the Year Ended December 31, 2017

	Cash	<u>Program Cash Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities			
General Government	\$ 1,131,476	\$ 523,050	\$ -
Security of Persons and Property	1,754,180	-	-
Public Health Services	11,266	7,500	-
Leisure Time Activities	243,055	9,952	7,626
Community Environment	5,135	-	-
Basic Utility Services	22,454	-	-
Transportation	1,064,884	-	-
Capital Outlay	455,908	38,058	-
Total Governmental Activities	<u>4,688,358</u>	<u>578,560</u>	<u>7,626</u>
Business-Type Activities			
Water	706,647	639,231	-
Wastewater	202,411	11,195	-
Total Business-Type Activities	<u>909,058</u>	<u>650,426</u>	<u>-</u>
Total	<u>\$ 5,597,416</u>	<u>\$ 1,228,986</u>	<u>\$ 7,626</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>
\$ (608,426)	\$ -	\$ (608,426)
(1,754,180)	-	(1,754,180)
(3,766)	-	(3,766)
(225,477)	-	(225,477)
(5,135)	-	(5,135)
(22,454)	-	(22,454)
(1,064,884)	-	(1,064,884)
<u>(417,850)</u>	<u>-</u>	<u>(417,850)</u>
<u>(4,102,172)</u>	<u>-</u>	<u>(4,102,172)</u>
-	(67,416)	(67,416)
<u>-</u>	<u>(191,216)</u>	<u>(191,216)</u>
<u>-</u>	<u>(258,632)</u>	<u>(258,632)</u>
<u>(4,102,172)</u>	<u>(258,632)</u>	<u>(4,360,804)</u>
2,078,967	-	2,078,967
54,978	-	54,978
183,240	-	183,240
1,558,571	-	1,558,571
567,646	-	567,646
50,639	-	50,639
<u>(190,000)</u>	<u>190,000</u>	<u>-</u>
<u>4,304,041</u>	<u>190,000</u>	<u>4,494,041</u>
201,869	(68,632)	133,237
<u>4,398,694</u>	<u>393,618</u>	<u>4,792,312</u>
\$ <u>4,600,563</u>	\$ <u>324,986</u>	\$ <u>4,925,549</u>

Village of Gates Mills, Ohio

Statement of Cash Basis Assets and Fund Balances Governmental Funds

December 31, 2017

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,349,517</u>	\$ <u>44,541</u>	\$ <u>206,505</u>	\$ <u>4,600,563</u>
Fund Balances				
Restricted	\$ -	\$ -	\$ 195,712	\$ 195,712
Committed	11,000	44,541	10,793	66,334
Unassigned	<u>4,338,517</u>	<u>-</u>	<u>-</u>	<u>4,338,517</u>
Total Fund Balances	\$ <u>4,349,517</u>	\$ <u>44,541</u>	\$ <u>206,505</u>	\$ <u>4,600,563</u>

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

Village of Gates Mills, Ohio

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

For the Year Ended December 31, 2017

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 2,078,967	\$ -	\$ 238,218	\$ 2,317,185
Municipal Income Taxes	1,558,571	-	-	1,558,571
Intergovernmental	332,919	84,318	150,446	567,683
Special Assessments	28,850	-	-	28,850
Charges for Services	399,078	9,208	9,952	418,238
Fines, Licenses and Permits	123,935	-	-	123,935
Earnings on Investments	50,583	-	56	50,639
Miscellaneous	-	-	15,126	15,126
Total Receipts	<u>4,572,903</u>	<u>93,526</u>	<u>413,798</u>	<u>5,080,227</u>
Disbursements				
General Government	985,560	-	1,041	986,601
Security of Persons and Property	1,753,380	-	145,675	1,899,055
Public Health Services	-	-	11,266	11,266
Leisure Time Activities	20,223	-	222,832	243,055
Community Environment	5,135	-	-	5,135
Basic Utility Services	22,454	-	-	22,454
Transportation	905,064	-	159,820	1,064,884
Capital Outlay	-	455,908	-	455,908
Total Disbursements	<u>3,691,816</u>	<u>455,908</u>	<u>540,634</u>	<u>4,688,358</u>
Excess of Receipts Over (Under) Disbursements	<u>881,087</u>	<u>(362,382)</u>	<u>(126,836)</u>	<u>391,869</u>
Other Financing Sources (Uses)				
Transfers In	-	250,000	53,000	303,000
Transfers Out	<u>(493,000)</u>	<u>-</u>	<u>-</u>	<u>(493,000)</u>
Total Other Financing Sources (Uses)	<u>(493,000)</u>	<u>250,000</u>	<u>53,000</u>	<u>(190,000)</u>
Net Change in Fund Balances	388,087	(112,382)	(73,836)	201,869
Fund Balances Beginning of Year	<u>3,961,430</u>	<u>156,923</u>	<u>280,341</u>	<u>4,398,694</u>
Fund Balances End of Year	\$ <u>4,349,517</u>	\$ <u>44,541</u>	\$ <u>206,505</u>	\$ <u>4,600,563</u>

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

Village of Gates Mills, Ohio

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

For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$ 2,039,900	\$ 2,039,900	\$ 2,078,967	\$ 39,067
Municipal Income Taxes	1,407,898	1,478,884	1,558,571	79,687
Intergovernmental	300,734	315,897	332,919	17,022
Special Assessments	26,061	27,375	28,850	1,475
Charges for Services	360,498	378,674	399,078	20,404
Fines, Licenses and Permits	111,954	117,599	123,935	6,336
Earnings on Investments	45,694	47,995	50,583	2,588
Total Receipts	<u>4,292,739</u>	<u>4,406,324</u>	<u>4,572,903</u>	<u>166,579</u>
Disbursements				
General Government	1,032,327	1,450,650	985,560	465,090
Security of Persons and Property	1,836,581	2,580,808	1,753,380	827,428
Leisure Time Activities	21,183	29,766	20,223	9,543
Community Environment	5,379	7,558	5,135	2,423
Basic Utility Services	23,519	33,050	22,454	10,596
Transportation	948,011	1,332,168	905,064	427,104
Total Disbursements	<u>3,867,000</u>	<u>5,434,000</u>	<u>3,691,816</u>	<u>1,742,184</u>
Excess of Receipts Over (Under) Disbursements	<u>425,739</u>	<u>(1,027,676)</u>	<u>881,087</u>	<u>1,908,763</u>
Other Financing Uses				
Transfers Out	<u>(500,000)</u>	<u>(543,000)</u>	<u>(493,000)</u>	<u>50,000</u>
Net Change in Fund Balance	(74,261)	(1,570,676)	388,087	1,958,763
Fund Balance Beginning of Year	<u>3,961,430</u>	<u>3,961,430</u>	<u>3,961,430</u>	<u>-</u>
Fund Balance End of Year	\$ <u>3,887,169</u>	\$ <u>2,390,754</u>	\$ <u>4,349,517</u>	\$ <u>1,958,763</u>

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

Village of Gates Mills, Ohio

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

December 31, 2017

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ <u>26,231</u>	\$ <u>298,755</u>	\$ <u>324,986</u>
 Net Position			
Unrestricted	\$ <u>26,231</u>	\$ <u>298,755</u>	\$ <u>324,986</u>

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

Village of Gates Mills, Ohio

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

For the Year Ended December 31, 2017

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
Operating Receipts			
Charges for Services	\$ 11,195	\$ -	\$ 11,195
Operating Disbursements			
Contractual Services	<u>183,171</u>	<u>21,451</u>	<u>204,622</u>
Operating Loss	<u>(171,976)</u>	<u>(21,451)</u>	<u>(193,427)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	-	639,231	639,231
Principal Retirement	(19,240)	(640,271)	(659,511)
Interest and Fiscal Charges	<u>-</u>	<u>(44,925)</u>	<u>(44,925)</u>
Total Non-Operating Receipts (Disbursements)	<u>(19,240)</u>	<u>(45,965)</u>	<u>(65,205)</u>
Loss before Transfers	(191,216)	(67,416)	(258,632)
Transfers In	<u>190,000</u>	<u>-</u>	<u>190,000</u>
Change in Net Position	(1,216)	(67,416)	(68,632)
Net Position Beginning of Year	<u>27,447</u>	<u>366,171</u>	<u>393,618</u>
Net Position End of Year	\$ <u><u>26,231</u></u>	\$ <u><u>298,755</u></u>	\$ <u><u>324,986</u></u>

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

Village of Gates Mills, Ohio

Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds

December 31, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>81,643</u>
Net Position	
Held in Trust for Building Deposits	\$ <u>81,643</u>

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

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Village of Gates Mills, Ohio

Statement of Net Position – Cash Basis

December 31, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,398,694</u>	\$ <u>393,618</u>	\$ <u>4,792,312</u>
Net Position			
Restricted for:			
Debt Service	\$ 2,730	\$ -	\$ 2,730
Other Purposes	262,636	-	262,636
Unrestricted	<u>4,133,328</u>	<u>393,618</u>	<u>4,526,946</u>
Total Net Position	\$ <u>4,398,694</u>	\$ <u>393,618</u>	\$ <u>4,792,312</u>

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

Village of Gates Mills, Ohio

Statement of Activities – Cash Basis

For the Year Ended December 31, 2016

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 1,220,643	\$ 510,970	\$ 2,200	\$ -
Security of Persons and Property	1,638,739	105	1,978	-
Public Health Services	4,207	3,600	-	-
Leisure Time Activities	220,592	8,397	14,521	19,789
Community Environment	4,089	-	-	-
Basic Utility Services	26,244	-	-	-
Transportation	919,265	-	-	-
Capital Outlay	581,315	30,562	-	-
Total Governmental Activities	<u>4,615,094</u>	<u>553,634</u>	<u>18,699</u>	<u>19,789</u>
Business-Type Activities				
Water	653,552	633,405	-	-
Wastewater	323,840	11,360	-	-
Total Business-Type Activities	<u>977,392</u>	<u>644,765</u>	<u>-</u>	<u>-</u>
Total	\$ <u>5,592,486</u>	\$ <u>1,198,399</u>	\$ <u>18,699</u>	\$ <u>19,789</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
 Proceeds on Sale of Assets
 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>
\$ (707,473)	\$ -	\$ (707,473)
(1,636,656)	-	(1,636,656)
(607)	-	(607)
(177,885)	-	(177,885)
(4,089)	-	(4,089)
(26,244)	-	(26,244)
(919,265)	-	(919,265)
<u>(550,753)</u>	<u>-</u>	<u>(550,753)</u>
<u>(4,022,972)</u>	<u>-</u>	<u>(4,022,972)</u>
-	(20,147)	(20,147)
<u>-</u>	<u>(312,480)</u>	<u>(312,480)</u>
<u>-</u>	<u>(332,627)</u>	<u>(332,627)</u>
<u>(4,022,972)</u>	<u>(332,627)</u>	<u>(4,355,599)</u>
2,058,236	-	2,058,236
54,374	-	54,374
181,242	-	181,242
1,654,004	-	1,654,004
486,522	-	486,522
23,628	-	23,628
100	-	100
<u>(350,000)</u>	<u>350,000</u>	<u>-</u>
<u>4,108,106</u>	<u>350,000</u>	<u>4,458,106</u>
85,134	17,373	102,507
<u>4,313,560</u>	<u>376,245</u>	<u>4,689,805</u>
\$ <u>4,398,694</u>	\$ <u>393,618</u>	\$ <u>4,792,312</u>

Village of Gates Mills, Ohio

Statement of Cash Basis Assets and Fund Balances Governmental Funds

December 31, 2016

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,961,430</u>	\$ <u>156,923</u>	\$ <u>280,341</u>	\$ <u>4,398,694</u>
Fund Balances				
Restricted	\$ -	\$ -	\$ 265,366	\$ 265,366
Committed	11,000	156,923	14,975	182,898
Unassigned	<u>3,950,430</u>	<u>-</u>	<u>-</u>	<u>3,950,430</u>
Total Fund Balances	\$ <u>3,961,430</u>	\$ <u>156,923</u>	\$ <u>280,341</u>	\$ <u>4,398,694</u>

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

Village of Gates Mills, Ohio

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

For the Year Ended December 31, 2016

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 2,058,236	\$ -	\$ 235,616	\$ 2,293,852
Municipal Income Taxes	1,654,004	-	-	1,654,004
Intergovernmental	332,430	14,789	158,307	505,526
Special Assessments	23,717	-	-	23,717
Charges for Services	383,939	6,845	8,397	399,181
Fines, Licenses and Permits	127,099	-	-	127,099
Earnings on Investments	23,627	-	1	23,628
Miscellaneous	-	5,000	18,121	23,121
Total Receipts	<u>4,603,052</u>	<u>26,634</u>	<u>420,442</u>	<u>5,050,128</u>
Disbursements				
General Government	1,096,505	-	5,250	1,101,755
Security of Persons and Property	1,638,679	-	118,948	1,757,627
Public Health Services	-	-	4,207	4,207
Leisure Time Activities	10,368	-	210,224	220,592
Community Environment	4,089	-	-	4,089
Basic Utility Services	26,244	-	-	26,244
Transportation	888,892	-	30,373	919,265
Capital Outlay	-	581,315	-	581,315
Total Disbursements	<u>3,664,777</u>	<u>581,315</u>	<u>369,002</u>	<u>4,615,094</u>
Excess of Receipts Over (Under) Disbursements	<u>938,275</u>	<u>(554,681)</u>	<u>51,440</u>	<u>435,034</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	-	100	-	100
Transfers In	-	685,000	100,500	785,500
Transfers Out	<u>(1,135,500)</u>	<u>-</u>	<u>-</u>	<u>(1,135,500)</u>
Total Other Financing Sources (Uses)	<u>(1,135,500)</u>	<u>685,100</u>	<u>100,500</u>	<u>(349,900)</u>
Net Change in Fund Balances	(197,225)	130,419	151,940	85,134
Fund Balances Beginning of Year	<u>4,158,655</u>	<u>26,504</u>	<u>128,401</u>	<u>4,313,560</u>
Fund Balances End of Year	\$ <u>3,961,430</u>	\$ <u>156,923</u>	\$ <u>280,341</u>	\$ <u>4,398,694</u>

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

Village of Gates Mills, Ohio

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

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property Taxes	\$ 2,021,254	\$ 2,021,254	\$ 2,058,236	\$ 36,982
Municipal Income Taxes	1,514,407	1,514,407	1,654,004	139,597
Intergovernmental	304,373	304,373	332,430	28,057
Special Assessments	21,715	21,715	23,717	2,002
Charges for Services	351,535	351,535	383,939	32,404
Fines, Licenses and Permits	116,372	116,372	127,099	10,727
Earnings on Investments	21,634	21,634	23,627	1,993
Total Receipts	<u>4,351,290</u>	<u>4,351,290</u>	<u>4,603,052</u>	<u>251,762</u>
Disbursements				
General Government	1,138,759	1,138,758	1,096,505	42,253
Security of Persons and Property	1,701,826	1,701,826	1,638,679	63,147
Leisure Time Activities	10,768	10,768	10,368	400
Community Environment	4,247	4,247	4,089	158
Basic Utility Services	27,255	27,255	26,244	1,011
Transportation	923,146	923,146	888,892	34,254
Total Disbursements	<u>3,806,001</u>	<u>3,806,000</u>	<u>3,664,777</u>	<u>141,223</u>
Excess of Receipts Over Disbursements	<u>545,289</u>	<u>545,290</u>	<u>938,275</u>	<u>392,985</u>
Other Financing Uses				
Transfers Out	<u>(985,500)</u>	<u>(1,135,500)</u>	<u>(1,135,500)</u>	<u>-</u>
Net Change in Fund Balance	(440,211)	(590,210)	(197,225)	392,985
Fund Balance Beginning of Year	<u>4,158,655</u>	<u>4,158,655</u>	<u>4,158,655</u>	<u>-</u>
Fund Balance End of Year	\$ <u>3,718,444</u>	\$ <u>3,568,445</u>	\$ <u>3,961,430</u>	\$ <u>392,985</u>

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

Village of Gates Mills, Ohio

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

December 31, 2016

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ <u>27,447</u>	\$ <u>366,171</u>	\$ <u>393,618</u>
Net Position			
Unrestricted	\$ <u>27,447</u>	\$ <u>366,171</u>	\$ <u>393,618</u>

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

Village of Gates Mills, Ohio

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

For the Year Ended December 31, 2016

	Business-Type Activities		
	Wastewater Fund	Water Fund	Total Proprietary Funds
Operating Receipts			
Charges for Services	\$ 11,360	\$ 13,844	\$ 25,204
Operating Disbursements			
Contractual Services	<u>314,220</u>	<u>21,451</u>	<u>335,671</u>
Operating Loss	<u>(302,860)</u>	<u>(7,607)</u>	<u>(310,467)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	-	619,561	619,561
Principal Retirement	(9,620)	(566,125)	(575,745)
Interest and Fiscal Charges	-	(65,976)	(65,976)
Total Non-Operating Receipts (Disbursements)	<u>(9,620)</u>	<u>(12,540)</u>	<u>(22,160)</u>
Loss before Transfers	(312,480)	(20,147)	(332,627)
Transfers In	<u>250,000</u>	<u>100,000</u>	<u>350,000</u>
Change in Net Position	(62,480)	79,853	17,373
Net Position Beginning of Year	<u>89,927</u>	<u>286,318</u>	<u>376,245</u>
Net Position End of Year	\$ <u><u>27,447</u></u>	\$ <u><u>366,171</u></u>	\$ <u><u>393,618</u></u>

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

Village of Gates Mills, Ohio

Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds

December 31, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>72,268</u>
Net Position	
Held in Trust for Building Deposits	\$ <u>72,268</u>

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

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Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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 further described in Notes 8 and 13 to the financial statements.

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

Note 2: Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a 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, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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 statements of net position – cash basis and statements of activities – cash basis, 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 Statements of Net Position – Cash Basis and the Statements of Activities – Cash Basis 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 Statements of Net Position – Cash Basis present the cash balance of the governmental and business-type activities of the Village at year-end. The Statements of Activities – Cash Basis compare disbursements with program receipts for each program or function of the Village's governmental activities 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, and receipts of interest earned on grants required to be used to support 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

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 transactions 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, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Village uses funds 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 presented in 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. The Village's proprietary funds are classified as enterprise funds.

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund – This fund receives cash from loans, fund transfers, assessments and connection (tap-in) charges. Expenditures include construction expenses, operation expenses, 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 to 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, inspection fees, engineering fees, construction costs, administration costs, operating costs and repayment of loans.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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 funds account for building bond deposits from various contractors, developers or individuals to ensure compliance with various Village ordinances and Mayor's Court.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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.

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 annual 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 certificate of estimated resources in effect at the time final appropriations were passed by Village Council.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2017 and 2016, the Village invested in State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at cost, except for STAR Ohio.

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 the Village has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017 and 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 was \$50,583. Interest receipts credited to the General Fund during 2016 was \$23,627.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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 externally 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 and other long-term obligations. Proceeds of debt are reported when 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 a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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 police pension, law enforcement receipts (confiscated items, drug fines, etc.), road maintenance, debt service, and land conservation.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted resources are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted 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 mandate 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 an external party—such as citizens, 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, as both are equally binding) 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, as both are equally binding) 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, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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 the Village Council or a Village official delegated that authority by resolution or by State statute. State statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Estimates

The cash basis of accounting used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 3: Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and 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 2017, 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	\$ -	\$ -	\$ 64,758	\$ 64,758
Drug and Alcohol Education and Enforcement	-	-	313	313
Cemetery	-	-	6,455	6,455
Police and Fire Pension	-	-	19,022	19,022
State Grants	-	-	1,105	1,105
Conservation	-	-	9,433	9,433
Purcell Fund (Downtown Beautification)	-	-	91,896	91,896
Debt Service	-	-	2,730	2,730
Total Restricted	<u>-</u>	<u>-</u>	<u>195,712</u>	<u>195,712</u>
Committed to:				
Underground Storage Tanks	11,000	-	-	11,000
Park Recreation	-	-	9,860	9,860
Mayor's Discretionary	-	-	933	933
Capital Improvement	-	44,541	-	44,541
Total Committed	<u>11,000</u>	<u>44,541</u>	<u>10,793</u>	<u>66,334</u>
Unassigned	<u>4,338,517</u>	<u>-</u>	<u>-</u>	<u>4,338,517</u>
Total Fund Balances, December 31, 2017	\$ <u>4,349,517</u>	\$ <u>44,541</u>	\$ <u>206,505</u>	\$ <u>4,600,563</u>

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 3: Fund Balance (continued)

In 2016, 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	\$ -	\$ -	\$ 106,698	\$ 106,698
Drug and Alcohol Education and Enforcement	-	-	313	313
Cemetery	-	-	7,221	7,221
Police and Fire Pension	-	-	49,538	49,538
State Grants	-	-	3,770	3,770
Conservation	-	-	10,826	10,826
Purcell Fund (Downtown Beautification)	-	-	84,270	84,270
Debt Service	-	-	<u>2,730</u>	<u>2,730</u>
Total Restricted	<u>-</u>	<u>-</u>	<u>265,366</u>	<u>265,366</u>
Committed to:				
Underground Storage Tanks	11,000	-	-	11,000
Park Recreation	-	-	13,001	13,001
Mayor's Discretionary	-	-	1,974	1,974
Capital Improvement	<u>-</u>	<u>156,923</u>	<u>-</u>	<u>156,923</u>
Total Committed	<u>11,000</u>	<u>156,923</u>	<u>14,975</u>	<u>182,898</u>
Unassigned	<u>3,950,430</u>	<u>-</u>	<u>-</u>	<u>3,950,430</u>
Total Fund Balances, December 31, 2016	\$ <u>3,961,430</u>	\$ <u>156,923</u>	\$ <u>280,341</u>	\$ <u>4,398,694</u>

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. There was no difference between the budgetary basis and the cash basis in the General Fund as of December 31, 2017 and December 31, 2016.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 5: Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits 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 withdrawable 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.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 5: Deposits and Investments (continued)

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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.

At December 31, 2017 and 2016, the Village had book balances of \$1,043,544 and \$1,132,004 respectively. Of the Village's 2017 bank balance of \$1,059,266, \$170,566 was uninsured and collateralized through the Village's financial institution, which was approved for a reduced collateral rate of 102% through the Ohio Pooled Collateral System. Of the Village's 2016 bank balance of \$876,365, all funds were fully insured by the Federal Deposit Insurance Corporation.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Effective July 1, 2017, participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 5: Deposits and Investments (continued)

Investments

As of December 31, 2017, the Village had the following investments:

	<u>Measurement Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 3,963,648	52.1

As of December 31, 2016, the Village had the following investments:

	<u>Measurement Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 3,732,576	51.6

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. The Village's investment policy addresses interest rate risk by requiring the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and long-term debt payments, 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 Standard and Poor's. The Village investment policy states credit risk shall be minimized by diversifying and maintaining adequate collateralization. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its 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 indicates the Village's investment with any individual issuer shall not constitute more than five percent of an individual issuer's total outstanding issuance in banker's acceptances, commercial paper or corporate securities. The Village was fully invested in STAR Ohio in 2017 and 2016.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 6: Income Taxes

The Village levies a 1% municipal income tax (before credit) on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. All income taxes received are placed in the General Fund.

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

Note 7: Property Taxes

Property taxes include amounts levied against all real property, and public utility property located in the Village. Property tax revenue received during 2017 (2016) for real and public utility property taxes represents collections of 2016 (2015) taxes.

2017 (2016) real property taxes are levied after October 1, 2017 (2016), on the assessed values as of January 1, 2017 (2016), the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. 2017 (2016) real property taxes are collected in and intended to finance 2018 (2017).

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2017 (2016) public utility property taxes which became a lien December 31, 2016 (2015), are levied after October 1, 2017 (2016), and are collected in 2018 (2017) with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017 (2016), 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 2017 (2016) property tax receipts were based are as follows:

	<u>2017</u>	<u>2016</u>
Real Property:		
Residential/Agricultural	\$ 204,415,410	\$ 203,847,160
Commercial/Industrial/Mineral	2,392,490	2,505,150
Tangible Personal Property:		
Public Utility	<u>2,940,950</u>	<u>2,780,500</u>
Total Assessed Value	<u>\$ 209,748,850</u>	<u>\$ 209,132,810</u>

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

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 8: Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village's comprehensive property and casualty insurance program is with Wichert Insurance Company during 2017 and 2016. Coverages provided are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Blanket Property and Contents	\$ 10,601,434
Earthquake	2,000,000
General Liability	1,000,000 per occurrence
Inland Marine Equipment	503,063
Automobile Liability	1,000,000
Law Enforcement and Public Officials Liability	1,000,000
Flood – Building, Contents, Combined Policies	2,435,000
Governmental Crime Policy	1,000,000
Public Official Bond – Treasurer	5,000
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. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. CompManagement provides administrative, cost control and actuarial services to the GRP.

The Village provides health benefits to full-time employees through Aetna, a private carrier. The single, employee plus spouse, employee plus child(ren), and employee plus family monthly premiums for health insurance in 2017 were \$599, \$1,433, \$1,347, and \$2,120, respectively, for medical. The single, employee plus spouse, employee plus child(ren), and employee plus family monthly premiums in 2016 were \$669, \$1,958, \$1,331, and \$1,723, respectively, for medical. Rates vary based upon age for each category for health.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years

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, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

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% 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%.

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

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>
	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contributions for pension were \$118,713 and \$114,481 for the years 2017 and 2016, respectively.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 9: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Police and Fire Pension Fund (OPF)

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 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.

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% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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, surviving beneficiaries, and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 9: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Police and Fire Pension Fund (OPF) (continued)

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

	<u>Police</u>
2017 & 2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2017 & 2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contributions to OPF for pension, net health care were \$139,291 and \$115,458 for the years 2017 and 2016, respectively.

Note 10: Post-Employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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. OPERS funds a Retiree Medical Account (RMA) for participants in the member-directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 10: Post-Employment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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. See OPERS' CAFR referenced below for additional information.

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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment 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 2017 and 2016, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 2016, and was 1.0% during calendar year 2017. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2017 and 2016 was 4.0 %.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 were \$9,128, \$19,071, and \$18,172 respectively. The full amount has been contributed for 2017, 2016 and 2015.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 10: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by OPF. OPF 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.

OPF 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 OPF 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 OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF 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% and 24% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF 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 administrated 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 OPF 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. For 2017 and 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also 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.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 10: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Village's contributions to OPF for the years ending December 31, 2017, 2016, and 2015 were \$143,009, \$118,540, and \$123,808, respectively, of which \$3,718, \$3,082, and \$3,219, respectively, was allocated to the health care plan. The full amount has been contributed for 2017, 2016 and 2015.

Note 11: Debt

The Village's long-term debt activity for the year ended December 31, 2017, is as follows:

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2017</u>
OWDA, 1998	6.51%	\$ 296,785	\$ -	\$ (296,785)	\$ -
OWDA, 1999	5.86%	828,018	-	(260,433)	567,585
OPWC Loan, 1995	0%	290,688	-	(83,053)	207,635
OPWC Loan, 2001	0%	96,200	-	(19,240)	76,960
Total Business-Type Activities		\$ <u>1,511,691</u>	\$ <u>-</u>	\$ <u>(659,511)</u>	\$ <u>852,180</u>

The Village's long-term debt activity for the year ended December 31, 2016, is as follows:

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2016</u>
OWDA, 1998	6.51%	\$ 575,367	\$ -	\$ (278,582)	\$ 296,785
OWDA, 1999	5.86%	1,074,035	-	(246,017)	828,018
OPWC Loan, 1995	0%	332,214	-	(41,526)	290,688
OPWC Loan, 2001	0%	105,820	-	(9,620)	96,200
Total Business-Type Activities		\$ <u>2,087,436</u>	\$ <u>-</u>	\$ <u>(575,745)</u>	\$ <u>1,511,691</u>

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

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

<u>Year Ending December 31</u>	<u>OWDA Loans</u>		<u>OPWC Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2018	275,696	22,703	102,293
2019	291,889	11,637	102,293
2020	-	-	60,770
2021	-	-	19,239
Total	\$ <u>567,585</u>	\$ <u>34,340</u>	\$ <u>284,595</u>

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 11: Debt (continued)

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 unvoted 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, 2017, were an overall debt margin of \$21,980,027 and an unvoted debt margin of \$11,512,047. The effects of the debt limitations at December 31, 2016, were an overall debt margin of \$22,020,899 and an unvoted debt margin of \$11,533,457.

Note 12: Leases

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

Gavi's River, LLC

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 Smythe Cramer

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, 2020, 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.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 12: Leases (continued)

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.

Robert Anderson Barclay, FAIA Architect, LLC

On October 25, 2016 the Village entered into a Lease Agreement with Robert Anderson Barclay, FAIA Architect, LLC for the use of a Village building. The Agreement, effective November 1, 2016 through October 31, 2021, has a base rent of \$500 per month.

Note 13: Jointly Governed Organization

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 16 communities.

It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to the CVD. Each member of the CVD is entitled to one vote on each item under consideration by the board. During 2017 and 2016, the Village contributed \$136,357 and \$140,250 to the CVD, respectively.

Northeast Ohio Public Energy Council

The Village is 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.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 13: Jointly Governed Organization (continued)

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 made no contributions to NOPEC in 2017 and 2016. 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 and \$14,000 in 2017 and 2016, respectively.

Note 14: Interfund Transfers

During 2017, the following transfers were made:

Transfers from the General Fund to:	
Capital Improvement Fund	\$ 250,000
Other Governmental Funds	53,000
Wastewater Fund	<u>190,000</u>
Total Transfers from the General Fund	<u>\$ 493,000</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.

Village of Gates Mills, Ohio

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 14: Interfund Transfers (continued)

During 2016, the following transfers were made:

Transfers from the General Fund to:	
Capital Improvement Fund	\$ 685,000
Other Governmental Funds	100,500
Wastewater Fund	250,000
Water fund	<u>100,000</u>
Total Transfers from the General Fund	\$ <u>1,135,500</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.

Note 15: 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.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.