

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**Charles E. Harris and Associates, Inc.**  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Richfield  
4410 Streetsboro Road  
Richfield, Ohio 44286

We have reviewed the *Report of Independent Accountants* of the Village of Richfield, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 5, 2008

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**VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2007 and 2006**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Richfield  
Summit County  
4410 Streetsboro Road  
Richfield, Ohio 44286

To the Village Council:

We have audited the accompanying financial statements of the Village of Richfield, Summit County, Ohio as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although, we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Richfield, Summit County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

June 20, 2008

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Governmental Fund Types</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 386,723	\$ 109,744	-	-	\$ 496,467
Municipal Income Tax	-	7,998,365	-	-	7,998,365
Intergovernmental Receipts	524,683	305,523	-	\$ 297,487	1,127,693
Special Assessments	-	-	\$ 445,747	-	445,747
Charges for Services	850,040	72,826	-	270,318	1,193,184
Fines, Licenses and Permits	146,856	3,640	-	-	150,496
Earnings on Investments	235,560	29,581	-	97,810	362,951
Refunds and Reimbursements	48,924	-	-	-	48,924
Miscellaneous	60,640	10,304	-	3,400	74,344
<b>Total Cash Receipts</b>	<b>2,253,426</b>	<b>8,529,983</b>	<b>445,747</b>	<b>669,015</b>	<b>11,898,171</b>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons/Property	3,843,224	127,055	-	-	3,970,279
Public Health Services	62,374	2,185	-	-	64,559
Leisure Time Activities	52,149	175,291	-	-	227,440
Community Environment	457,159	-	-	-	457,159
Basic Utility Service	166,739	5,518	-	-	172,257
Transportation	-	1,574,093	-	-	1,574,093
General Government	692,253	127,065	-	-	819,318
Capital Outlay	-	-	-	3,094,671	3,094,671
<b>Debt Service:</b>					
Principal Retirement	-	-	1,358,983	19,835	1,378,818
Interest and Fiscal Charges	-	-	596,896	9,876	606,772
<b>Total Cash Disbursements</b>	<b>5,273,898</b>	<b>2,011,207</b>	<b>1,955,879</b>	<b>3,124,382</b>	<b>12,365,366</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(3,020,472)</b>	<b>6,518,776</b>	<b>(1,510,132)</b>	<b>(2,455,367)</b>	<b>(467,195)</b>
<b>Other Financing Sources/(Uses):</b>					
OWDA Debt Proceeds	-	-	-	257,523	257,523
Sale of Fixed Assets	-	-	-	390	390
Transfers-In	3,784,172	1,590,329	1,451,214	761,000	7,586,715
Transfers-Out	(200,000)	(7,416,715)	-	(70,000)	(7,686,715)
Other Financing Uses	(4,711)	(184,339)	-	(20,788)	(209,838)
<b>Total Other Financing Sources/(Uses)</b>	<b>3,579,461</b>	<b>(6,010,725)</b>	<b>1,451,214</b>	<b>928,125</b>	<b>(51,925)</b>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	<b>558,989</b>	<b>508,051</b>	<b>(58,918)</b>	<b>(1,527,242)</b>	<b>(519,120)</b>
<b>Fund Cash Balance, January 1</b>	<b>572,730</b>	<b>751,950</b>	<b>481,302</b>	<b>4,751,887</b>	<b>6,557,869</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 1,131,719</b>	<b>\$ 1,260,001</b>	<b>\$ 422,384</b>	<b>\$ 3,224,645</b>	<b>\$ 6,038,749</b>
<b>Reserves for Encumbrances</b>	<b>\$ 25,464</b>	<b>\$ 2,100</b>	<b>\$ -</b>	<b>\$ 186,897</b>	<b>\$ 214,461</b>

The notes to the financial statements are an integral part of this statement



**VILLAGE OF RICHFIELD  
SUMMIT COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND  
CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type Enterprise Funds</u>	<u>Fiduciary Fund Type Agency Fund</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 964,616	\$ 41,648	\$ 1,006,264
Fines, Licenses and Permits	15,750	-	15,750
Total Operating Cash Receipts	980,366	41,648	1,022,014
Operating Cash Disbursements:			
Personal Services	84,898	-	84,898
Travel Transportation	43	-	43
Contractual Services	560,376	-	560,376
Community Environment	-	38,361	38,361
Materials and Supplies	98,703	-	98,703
Total Operating Cash Disbursements	744,020	38,361	782,381
Operating Income	236,346	3,287	239,633
Non-Operating Receipts/(Disbursements)			
Intergovernmental	-	32,929	32,929
Other Financing Uses	-	(31,659)	(31,659)
Total Non-Operating Receipts/(Disbursements)	-	1,270	1,270
Income (Loss) Before Interfund Transfers	236,346	4,557	240,903
Transfers-In	100,000	-	100,000
Net Income	336,346	4,557	340,903
Fund Cash Balance, January 1	398,736	59,791	458,527
Fund Cash Balance, December 31	<u>\$ 735,082</u>	<u>\$ 64,348</u>	<u>\$ 799,430</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Governmental Fund Types</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 349,596	\$ 110,708	-	-	\$ 460,304
Municipal Income Tax	-	7,333,147	-	-	7,333,147
Intergovernmental Receipts	460,323	294,968	-	\$ 45,000	800,291
Special Assessments	-	-	\$ 596,312	-	596,312
Charges for Services	823,305	65,562	-	151,357	1,040,224
Fines, Licenses and Permits	145,561	7,199	-	-	152,760
Earnings on Investments	266,640	27,095	-	150,231	443,966
Miscellaneous	50,661	7,399	-	-	58,060
<b>Total Cash Receipts</b>	<b>2,096,086</b>	<b>7,846,078</b>	<b>596,312</b>	<b>346,588</b>	<b>10,885,064</b>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons/Property	3,704,556	127,764	-	-	3,832,320
Public Health Services	59,463	2,947	-	-	62,410
Leisure Time Activities	47,252	160,620	-	-	207,872
Community Environment	410,313	-	-	-	410,313
Basic Utility Service	163,910	10,280	-	-	174,190
Transportation	-	1,365,320	-	-	1,365,320
General Government	678,194	125,820	-	-	804,014
Capital Outlay	-	-	-	5,306,841	5,306,841
<b>Debt Service:</b>					
Principal Retirement	-	-	1,161,174	150,430	1,311,604
Interest and Fiscal Charges	-	-	583,514	51,315	634,829
<b>Total Cash Disbursements</b>	<b>5,063,688</b>	<b>1,792,751</b>	<b>1,744,688</b>	<b>5,508,586</b>	<b>14,109,713</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(2,967,602)</b>	<b>6,053,327</b>	<b>(1,148,376)</b>	<b>(5,161,998)</b>	<b>(3,224,649)</b>
<b>Other Financing Sources/(Uses):</b>					
Proceeds from Sale of Bonds	-	-	-	1,100,000	1,100,000
OWDA and OPWC Debt Proceeds	-	-	-	320,854	320,854
Sale of Fixed Assets	20,016	-	-	-	20,016
Transfers-In	3,382,000	1,512,000	1,230,000	1,451,400	7,575,400
Transfers-Out	(160,000)	(7,485,400)	-	(30,000)	(7,675,400)
Other Financing Sources	3,975	64,338	-	11,000	79,313
Other Financing Uses	-	(57,673)	-	(15,610)	(73,283)
<b>Total Other Financing Sources/(Uses)</b>	<b>3,245,991</b>	<b>(5,966,735)</b>	<b>1,230,000</b>	<b>2,837,644</b>	<b>1,346,900</b>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	<b>278,389</b>	<b>86,592</b>	<b>81,624</b>	<b>(2,324,354)</b>	<b>(1,877,749)</b>
<b>Fund Cash Balance, January 1</b>	<b>294,341</b>	<b>665,358</b>	<b>399,678</b>	<b>7,076,241</b>	<b>8,435,618</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 572,730</b>	<b>\$ 751,950</b>	<b>\$ 481,302</b>	<b>\$ 4,751,887</b>	<b>\$ 6,557,869</b>
<b>Reserves for Encumbrances</b>	<b>\$ 15,000</b>	<b>\$ 6,900</b>	<b>\$ -</b>	<b>\$ 1,253,158</b>	<b>\$ 1,275,058</b>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND  
CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type Enterprise Fund</u>	<u>Fiduciary Fund Type Agency Funds</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 829,454	\$ 57,339	\$ 886,793
Fines, Licenses and Permits	42,400	-	42,400
Miscellaneous	130	-	130
Total Operating Cash Receipts	<u>871,984</u>	<u>57,339</u>	<u>929,323</u>
Operating Cash Disbursements:			
Personal Services	144,362	-	144,362
Contractual Services	547,621	-	547,621
Community Environment	-	67,418	67,418
Materials and Supplies	63,211	-	63,211
Capital Outlay	58,657	-	58,657
Total Operating Cash Disbursements	<u>813,851</u>	<u>67,418</u>	<u>881,269</u>
Operating Income	58,133	(10,079)	48,054
Non-Operating Receipts/(Disbursements)			
Intergovernmental	-	13,856	13,856
Other Financing Uses	-	(227)	(227)
Total Non-Operating Receipts/(Disbursements)	<u>-</u>	<u>13,629</u>	<u>13,629</u>
Income (Loss) Before Interfund Transfers	58,133	3,550	61,683
Transfers-In	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net Income	158,133	3,550	161,683
Fund Cash Balance, January 1	<u>240,603</u>	<u>56,241</u>	<u>296,844</u>
Fund Cash Balance, December 31	<u>\$ 398,736</u>	<u>\$ 59,791</u>	<u>\$ 458,527</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 1: The Reporting Entity**

*A. Description of the Entity*

The Village of Richfield, Summit County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Village Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire services.

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

*B. Basis of Accounting*

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

*C. Cash and Investments*

Certificates of deposit and repurchase agreements are valued at cost. Investments are included in the fund cash balances. 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 disbursements, respectively.

*D. Fund Accounting*

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**Governmental Funds**

*General Fund*

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

*Special Revenue Funds*

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 1: The Reporting Entity (continued)**

*D. Fund Accounting (continued)*

*Special Revenue Funds (continued)*

*Street, Maintenance and Repair*

This fund receives allocation of motor vehicle taxes, gas excise taxes, and transfers from the Income Tax Fund. The fund is used for maintenance of all roadways, storm drainage, snow plowing, etc.

*Income Tax Fund*

This fund is used to record the collection of self assessed taxes, the cost of collecting such taxes, and the distribution to various other funds in accordance with Village ordinances.

*Debt Service Fund*

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant Debt Service Funds:

*Bond Retirement Fund*

This fund is used to account for resources used to repay various bond anticipation notes.

*Special Assessment Sewer District #1, #2, and #3 Funds*

These funds are used to account for the assessments collected from property owners for the purpose of repaying Ohio Water Development Authority loans obtained for installing sewer lines.

*Capital Projects Funds*

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Projects Funds:

*Municipal Building Construction Fund*

This fund received general obligation bond proceeds. The proceeds are being used to renovate the existing municipal building.

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 1: The Reporting Entity (continued)**

*D. Fund Accounting (continued)*

*Brecksville Road Fund*

This fund received general obligation bonds proceeds, OPWC loan proceeds, etc. The funds are used to reconstruct major sections of Brecksville Road.

*Land Building Acquisition Fund*

This fund receives funds transferred from the Income Tax Fund. Funds are used to purchase land for municipal purposes.

Proprietary Funds

*Enterprise Fund*

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has the following Enterprise Fund:

*Sanitary Sewer Operating Fund*

This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds

*Agency Funds*

These funds are used to account for resources for which the Village is acting in an agency capacity. The Village has the following significant agency fund:

*Contractor Retainage Fund*

This fund is used to account for moneys retained by the Village and placed in escrow accounts until the contract is completed.

*Joint Economic Development District Fund*

This fund is used to account for the income tax collected and distributed from the Township of Richfield for the extension of sewer and water lines. The Village of Richfield is fiscal agent for the District. See Note number 8.

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 1: The Reporting Entity (continued)**

*E. Budgetary Process*

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. *Appropriations*

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. *Estimated Resources*

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. *Encumbrances*

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

*F. Property, Plant and Equipment*

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

*G. Unpaid Vacation and Sick Leave*

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**Note 2: Cash, Cash Equivalents and Investments**

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 2: Cash, Cash Equivalents and Investments (continued)**

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 1,682,124	\$ 2,900,067
Certificates of deposit	4,365,605	3,445,879
Total deposits	<u>6,047,729</u>	<u>6,345,946</u>
Repurchase Agreements	790,000	670,000
Total deposits and investments	<u>\$ 6,837,729</u>	<u>\$ 7,015,946</u>

The Village also maintains petty cash funds totaling \$450.

*Deposits:*

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

*Investments:*

The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

**Note 3: Budgetary Activity**

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 5,507,490	\$ 6,037,598	\$ 530,108
Special Revenue Funds	9,877,914	10,120,312	242,398
Debt Service Funds	1,947,828	1,896,961	(50,867)
Capital Project Funds	1,568,000	1,687,928	119,928
Enterprise Fund	970,000	1,080,366	110,366



VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 3: Budgetary Activity (continued)**

Fund Type	2007 Budgeted vs. Budget Basis Expenditures		
	Appropriation	Budgeted	Variance
	Authority	Expenditures	
General Fund	\$ 5,856,186	\$ 5,504,073	\$ 352,113
Special Revenue Funds	9,949,428	9,614,361	335,067
Debt Service Funds	1,962,624	1,955,879	6,745
Capital Project Funds	4,946,044	3,402,067	1,543,977
Enterprise Fund	956,675	744,020	212,655

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General Fund	\$ 5,215,469	\$ 5,502,077	\$ 286,608
Special Revenue Funds	9,228,243	9,422,416	194,173
Debt Service Funds	1,794,700	1,826,312	31,612
Capital Project Funds	3,518,000	3,229,842	(288,158)
Enterprise Fund	916,890	971,984	55,094

Fund Type	2006 Budgeted vs. Budget Basis Expenditures		
	Appropriation	Budgeted	Variance
	Authority	Expenditures	
General Fund	\$ 5,555,058	\$ 5,238,688	\$ 316,370
Special Revenue Funds	9,627,087	9,342,724	284,363
Debt Service Funds	1,754,192	1,744,688	9,504
Capital Project Funds	7,693,827	6,807,354	886,473
Enterprise Fund	1,015,295	813,851	201,444

**Note 4: Property Tax**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each May 30.

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 4: Property Tax (continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Note 5: Debt**

Debt outstanding at December 31, 2007 was as follows:

Debt	Principal	Interest Rates
General Obligation Bond Anticipation Notes	\$ 6,372,000	4.09% - 4.53%
Ohio Water Development Authority Loans	4,358,319	3.75% - 8.04%
Ohio Public Works Commission Loans	887,706	0.00%
Total	<u>\$ 11,618,025</u>	

The Ohio Water Development Authority (OWDA) project loans were obtained for the purpose of installing sewer/water lines. The Ohio Public Works Commission (OPWC) project loans were obtained for the purpose of extending the City of Cleveland's water lines and to pave streets. The OWDA and OPWC loans are being paid over a 21 year period. The loans are collateralized by water and sewer receipts.

During the period between 2005 through 2007, the Village obtained \$559,749 in partial proceeds from an OWDA project loan, and payments were made totaling \$42,742 through December 31, 2007. During 2007, the Village obtained \$255,366 in partial proceeds from an OWDA project loan. Since OWDA has not finalized these loans, the principal and interest are not included below.

The Village has two general obligation bond anticipation notes one issued during prior audits and a new one added this audit. They were issued in anticipation of the issuance of bonds to pay the costs of various capital projects. The original principal amount for each bond anticipation note was \$8,970,000 and \$1,100,000. Amortization of the above debt, including interest, is scheduled as follows:

Years Ending December 31,	OWDA Loans	OPWC Loans	General Obligation Bond Anticipation Note
2008	\$ 559,223	\$ 51,362	\$ 1,269,479
2009	562,046	51,363	1,227,809
2010	565,094	51,362	1,186,139
2011	568,286	51,362	1,144,469
2012	571,941	51,363	1,102,798
2013 - 2017	2,025,079	247,437	1,413,551
2018 - 2022	85,579	225,563	-
2023 - 2026	-	157,894	-
	<u>\$ 4,937,248</u>	<u>\$ 887,706</u>	<u>\$ 7,344,245</u>

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 6: Retirement Systems**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds. (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participants' wages and 24% of fire participants' wages. OPERS members contributed 9.5% in 2007 and 9% in 2006 of participants' gross salaries. The Village contributed an amount equal to 13.85% in 2007 and 13.7% in 2006 of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**Note 7: Risk Management**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- General liability
- Public official's liability
- Employer's liability
- Employee benefits liability
- Cemetery liability

The Village also provides health insurance and dental and vision coverage to full-time employees and their families through a private carrier. The Village also provides life insurance to full-time employees only. There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

**Note 8: Joint Economic Development District**

The Village participates in, and is the fiscal agent for, the Richfield Light Industrial/Office Joint Economic Development District (the JEDD). The Village of Richfield and Richfield Township formed the JEDD in accordance with Sections 715.72 through 715.82 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of October 24, 2005. The JEDD Board of Directors consists of five members: one Township Trustee; the Mayor or an elected member of the Village Council; one representative of business owners in the JEDD; one member representing persons working in the JEDD; and one member appointed by the preceding four members. The JEDD shall facilitate economic development, create or preserve jobs and employment opportunities and improve the economic welfare of the people.

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 8: Joint Economic Development District (continued)**

The Board adopted a resolution to levy an income tax on all income as defined in the Village's income tax ordinance at a rate of two percent (2%) in the JEDD in accordance with Section 714.74 of the Ohio Revised Code. Ten percent (10%) of the collected income tax will be distributed with five percent (5%) going to the Village and five percent (5%) going to the Township. The balance of ninety percent (90%) will be distributed in accordance with the JEDD agreement. The JEDD is being handled through an Agency Fund on the Village's financial records.

The JEDD is providing access to water service from the water system of the City of Cleveland.

**Note 9: Local Income Tax**

The Village levies a municipal income tax of two (2) percent 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.

The local income tax is collected by the Village and deposited into the Income Tax Fund, a Special Revenue Fund. Income tax revenue is then transferred to various funds in accordance with the Village's budgetary needs approved by the Village Council.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 10: Transfers**

The Village receives their income tax money into a special revenue fund. The Village then transfer money from the special revenue fund – Income Tax Fund to various funds depending on current years budget needs. The capital project fund – Sanitary Sewer Fund transferred money to the Special Assessment Debt Funds to help pay for debt during both years. In 2007, the capital project fund – Capital Improvement Fund transferred money to the Special Revenue Fund – Sidewalk Funds to help pay for sidewalk work.

**Note 11: Lease Purchase Agreement**

During 2007, the Village leased a LifeLine 100 Controller with Power 9-1-1 and Power Map System from AT&T Capital Services with a buyout option of \$1.00 at the end of the lease. The cost of the equipment installation was \$127,322 with total interest of \$22,770. The monthly payments are \$2,502. As of December 2007, the balance owed, including interest was:

VILLAGE OF RICHFIELD  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

**Note 11: Lease Purchase Agreement (continued)**

<u>Year</u>	<u>Payments</u>
2008	\$ 30,018
2009	30,019
2010	30,018
2011	30,019
2012	17,511
Total	<u>\$ 137,585</u>

**Note 12: Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**Note 13: Legal Compliance**

Contrary to Ohio Revised Code Section 5705.39 during 2006, the appropriations of the General Fund, Income Tax Fund and the Brecksville Road Paving Fund exceeded their estimated resources.

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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Richfield  
Summit County  
4410 Streetsboro Road  
Richfield, Ohio 44286

To the Village Council:

We have audited the financial statements of the Village of Richfield, Summit County, Ohio (Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 20, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item VR-2007-02, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the schedule of findings as item VR-2007-01.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we have reported to management of the Village in a separate letter dated June 20, 2008.

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

***Charles E. Harris and Associates, Inc.***  
June 20, 2008

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2007 and 2006**

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

**FINDING NUMBER VR-2007-01**

**Non-compliance Citation**

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The funds listed below during 2006 had appropriations exceeding the total estimated resources.

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 5,509,810	\$ 5,555,058	\$ (45,248)
Special Revenue Fund:			
Income Tax Fund	7,575,925	7,675,380	(99,455)
Capital Project Fund:			
Brecksville Road Paving	383,232	505,046	(121,814)

**Officials Response**

The Village will monitor appropriations to ensure that they do not exceed estimated resources. This was done in 2007 and none of the appropriations exceed estimated resources.

**FINDING NUMBER VR-2007-02**

**Material Weakness**

During the audit of the Village's financial records for the years ended December 31, 2007 and 2006 we noted disbursements incorrectly recorded and several disbursements incorrectly reported in the annual financial report. The financial statements have been adjusted to present the accounting information correctly and the Village has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

- The first payment of principal and interest on a new Ohio Water Development Authority loan was posted to capital outlay in the Sanitary Sewer Capital Project Fund during 2007.
- On the 2007 annual financial statements, the Debt Service Fund had principal and interest lumped together, even though the financial record had it posted correctly.



**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2007 and 2006**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER VR-2007-02 (continued)**

**Material Weakness (continued)**

**Officials Response**

A loan payment had to be made on a new project. The payment was misclassified in the Sanitary Sewer Capital Fund as capital outlay, instead of payment of principal and interest. Payment of debt from the Debt Service Fund was an oversight on the Finance Directors part. The financial records had it split, but when she prepared the financial report the amounts were lumped together.

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY  
December 31, 2007 and 2006**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No longer Valid, Explain</b>
04-01 and 05-01	ORC Section 5705.39 total appropriations from each fund should not exceed the total estimated resources.	No	Repeated for only 2006. VR-2007-01 there as no violation in 2007



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF RICHFIELD**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 18, 2008**