

Village of Richfield, Ohio

**Financial Statements
December 31, 2005 and 2004**



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Village of Richfield, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 *Independent Auditors' Report* 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 *Independent Auditors' Report* 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 6, 2006

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Village of Richfield, Ohio

For The Years Ended December 31, 2005 and 2004

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Independent Auditors' Report

Honorable Mayor and
Members of Council
Village of Richfield, Ohio

We have audited the accompanying financial statements of the Village of Richfield, Ohio (the "Village"), as of and for the years ended December 31, 2005 and 2004, as listed in the Table of Contents. 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the 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 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.

Honorable Mayor and
Members of Council

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, 2005 and 2004 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, 2005 and 2004 or its changes in financial position 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 as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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, 2005 and 2004. 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 April 6, 2006 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 express an opinion 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 the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ciuni & Panichi, Inc.

Cleveland, Ohio
April 6, 2006

Village of Richfield, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types

For The Year Ended December 31, 2005

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 324,693	\$ 9,749,998	\$ -	\$ -	\$ 10,074,691
Special assessments	-	-	480,594	-	480,594
Intergovernmental	483,741	273,584	-	12,197	769,522
Charges for services	706,028	59,244	-	254,886	1,020,158
Fines, licenses and permits	154,272	18,595	-	-	172,867
Earnings on investments	136,786	22,680	-	134,238	293,704
Reimbursements received	-	-	-	100,000	100,000
Other revenue	61,490	3,214	-	-	64,704
Total cash receipts	1,867,010	10,127,315	480,594	501,321	12,976,240
Cash disbursements:					
Current:					
Security of persons and property	3,746,273	109,244	-	-	3,855,517
Public health services	55,873	7,415	-	-	63,288
Leisure time activities	49,212	140,091	-	-	189,303
Community environment	340,491	-	-	-	340,491
Basic utility services	157,854	11,637	-	-	169,491
Transportation	-	1,628,022	-	-	1,628,022
General government	694,469	440,478	-	-	1,134,947
Debt service:					
Principal payments	-	-	1,141,799	102,880	1,244,679
Interest payments	-	-	634,552	7,125	641,677
Capital Outlay	-	-	-	3,883,884	3,883,884
Total cash disbursements	5,044,172	2,336,887	1,776,351	3,993,889	13,151,299
Total cash receipts over(under) cash disbursements	(3,177,162)	7,790,428	(1,295,757)	(3,492,568)	(175,059)
Other financing receipts(disbursements):					
Debt proceeds	-	-	-	692,554	692,554
Transfers – In	3,060,000	1,415,000	1,250,000	3,260,000	8,985,000
Proceeds from sale of fixed assets	30,108	-	-	185,000	215,108
Transfers – Out	-	(9,125,000)	-	(270,000)	(9,395,000)
Other uses	(794)	-	-	(5,184)	(5,978)
Total other financing receipts (disbursements)	3,089,314	(7,710,000)	1,250,000	3,862,370	491,684
Excess of cash receipts and other financing receipts over(under) cash disbursements and other financing disbursements	(87,848)	80,428	(45,757)	369,802	316,625
Fund cash balances, January 1	382,189	584,930	445,435	6,706,439	8,118,993
Fund cash balances, December 31	\$ 294,341	\$ 665,358	\$ 399,678	\$ 7,076,241	\$ 8,435,618
Reserve for encumbrances, December 31	\$ -	\$ -	\$ -	\$ 2,900,743	\$ 2,900,743

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

Village of Richfield, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Types and Fiduciary Fund Types

For The Year Ended December 31, 2005

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Revenues:			
Charges for services	\$ 674,816	\$ 74,855	\$ 749,671
Miscellaneous	390	-	390
Fees, fines and forfeitures	<u>39,450</u>	<u>-</u>	<u>39,450</u>
Total operating cash receipts	<u>714,656</u>	<u>74,855</u>	<u>789,511</u>
Operating Cash Disbursements:			
Personal services	186,460	-	186,460
Contractual services	553,130	-	553,130
Community environment	-	69,302	69,302
Supplies and materials	101,603	-	101,603
Capital outlay	<u>52,347</u>	<u>-</u>	<u>52,347</u>
Total operating cash disbursements	<u>893,540</u>	<u>69,302</u>	<u>962,842</u>
Operating income(loss)	(178,884)	5,553	(173,331)
Other operating receipts:			
Transfers – In	<u>410,000</u>	<u>-</u>	<u>410,000</u>
Excess cash receipts and other operating receipts over cash disbursements	231,116	5,553	236,669
Fund cash balances, January 1	<u>9,487</u>	<u>50,688</u>	<u>60,175</u>
Fund cash balances, December 31	\$ <u>240,603</u>	\$ <u>56,241</u>	\$ <u>296,844</u>

The accompanying notes are an integral part of these financial statements

Village of Richfield, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types

For The Year Ended December 31, 2004

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 326,182	\$ 7,037,612	\$ -	\$ -	\$ 7,363,794
Special assessments	-	-	536,305	-	536,305
Intergovernmental	426,930	235,296	-	304,626	966,852
Charges for services	697,036	62,948	-	167,176	927,160
Fines, licenses and permits	172,141	27,272	-	100,000	299,413
Earnings on investments	32,605	6,351	1,946	69,116	110,018
Other revenue	146,498	6,038	-	50,000	202,536
Total cash receipts	<u>1,801,392</u>	<u>7,375,517</u>	<u>538,251</u>	<u>690,918</u>	<u>10,406,078</u>
Cash disbursements:					
Current:					
Security of persons and property	3,109,184	110,346	-	-	3,219,530
Public health services	54,640	1,968	-	-	56,608
Leisure time activities	42,407	125,986	-	-	168,393
Community environment	304,100	-	-	-	304,100
Basic utility services	141,920	7,464	-	-	149,384
Transportation	-	1,436,181	-	-	1,436,181
General government	570,028	110,179	-	-	680,207
Debt service:					
Principal payments	-	-	1,123,845	99,056	1,222,901
Interest payments	-	-	688,882	10,950	699,832
Capital Outlay	-	-	-	2,456,532	2,456,532
Total cash disbursements	<u>4,222,279</u>	<u>1,792,124</u>	<u>1,812,727</u>	<u>2,566,538</u>	<u>10,393,668</u>
Total cash receipts over(under) cash disbursements	<u>(2,420,887)</u>	<u>5,583,393</u>	<u>(1,274,476)</u>	<u>(1,875,620)</u>	<u>12,410</u>
Other financing receipts(disbursements):					
Debt proceeds	-	-	-	446,431	446,431
Transfers – In	2,700,000	1,215,000	1,330,000	1,537,000	6,782,000
Transfers – Out	(10,000)	(6,657,000)	-	(115,000)	(6,782,000)
Other uses	(2,800)	(60,835)	-	(24,656)	(88,291)
Total other financing receipts (disbursements)	<u>2,687,200</u>	<u>(5,502,835)</u>	<u>1,330,000</u>	<u>1,843,775</u>	<u>358,140</u>
Excess of cash receipts and other financing receipts over(under) cash disbursements and other financing disbursements	266,313	80,558	55,524	(31,845)	370,550
Fund cash balances, January 1	<u>115,876</u>	<u>504,372</u>	<u>389,911</u>	<u>6,738,284</u>	<u>7,748,443</u>
Fund cash balances, December 31	\$ <u>382,189</u>	\$ <u>584,930</u>	\$ <u>445,435</u>	\$ <u>6,706,439</u>	\$ <u>8,118,993</u>
Reserve for encumbrances, December 31	\$ <u>6,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,982,967</u>	\$ <u>1,988,967</u>

The accompanying notes are an integral part of these financial statements

Village of Richfield, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Types and Fiduciary Fund Types

For The Year Ended December 31, 2004

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Total (Memorandum Only) <u>Only</u>
Operating Cash Revenues:			
Charges for services	\$ 576,545	\$ 25,933	\$ 602,478
Fees, fines and forfeitures	41,500	-	41,500
Miscellaneous	390	-	390
Total operating cash receipts	<u>618,435</u>	<u>25,933</u>	<u>644,368</u>
Operating Cash Disbursements:			
Personal services	193,097	-	193,097
Travel transportation	34	-	34
Contractual services	473,100	-	473,100
Community environment	-	22,582	22,582
Supplies and materials	69,954	-	69,954
Total operating cash disbursements	<u>736,185</u>	<u>22,582</u>	<u>758,767</u>
Operating income(loss)	(117,750)	3,351	(114,399)
Fund cash balances, January 1	<u>127,237</u>	<u>47,337</u>	<u>174,574</u>
Fund cash balances, December 31	\$ <u>9,487</u>	\$ <u>50,688</u>	\$ <u>60,175</u>
Reserve for Encumbrances, December 31	\$ <u>41,227</u>	\$ <u>-</u>	\$ <u>41,227</u>

The accompanying notes are an integral part of these financial statements

Village of Richfield, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

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.

Village of Richfield, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

Note 1: The Reporting Entity (continued)

D. Fund Accounting (continued)

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 Fund:

Street, Maintenance and Repair

This fund receives allocation of motor vehicle taxes, gas excise taxes, and transfers from Income Tax Fund. Fund 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 Fund:

Municipal Building Construction Fund

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

Village of Richfield, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

Note 1: The Reporting Entity (continued)

D. Fund Accounting (continued)

Brecksville Road Fund

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

Land Building Acquisition Fund

This fund receives funds transferred from 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.

Village of Richfield, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

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 2005 and 2004 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, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ (103,506)	\$ 78,748
Certificates of deposit	<u>7,589,525</u>	<u>7,307,915</u>
Total deposits	7,486,019	7,386,663
Repurchase Agreements	<u>1,246,443</u>	<u>792,505</u>
Total deposits and investments	\$ <u><u>8,732,462</u></u>	\$ <u><u>8,179,168</u></u>

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, 2005 and 2004 follows:

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 4,937,817	\$ 4,957,118	\$ 19,301
Special Revenue	11,595,264	11,542,315	(52,949)
Debt Service	1,790,800	1,730,594	(60,206)
Capital Projects	4,443,913	4,638,875	194,962
Enterprise	<u>1,210,000</u>	<u>1,124,656</u>	<u>(85,344)</u>
Total	\$ <u><u>23,977,794</u></u>	\$ <u><u>23,993,558</u></u>	\$ <u><u>15,764</u></u>

<u>Fund Type</u>	<u>2005 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 5,255,878	\$ 5,044,966	\$ 210,912
Special Revenue	11,523,856	11,461,887	61,969
Debt Service	1,779,144	1,776,351	2,793
Capital Projects	8,427,637	7,169,816	1,257,821
Enterprise	<u>1,115,719</u>	<u>893,540</u>	<u>222,179</u>
Total	\$ <u><u>28,102,234</u></u>	\$ <u><u>26,346,560</u></u>	\$ <u><u>1,755,674</u></u>

Village of Richfield, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

Note 3: Budgetary Activity (continued)

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 4,709,390	\$ 4,501,392	\$ (207,998)
Special Revenue	8,503,648	8,590,517	86,869
Debt Service	1,818,000	1,868,251	50,251
Capital Projects	2,667,000	2,674,349	7,349
Enterprise	<u>670,000</u>	<u>618,435</u>	<u>(51,565)</u>
Total	\$ <u>18,368,038</u>	\$ <u>18,252,944</u>	\$ <u>(115,094)</u>

<u>Fund Type</u>	<u>2004 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 4,375,305	\$ 4,241,079	\$ 134,226
Special Revenue	8,628,190	8,509,959	118,231
Debt Service	1,813,751	1,812,727	1,024
Capital Projects	5,651,259	4,689,161	962,098
Enterprise	<u>797,479</u>	<u>777,412</u>	<u>20,067</u>
Total	\$ <u>21,265,984</u>	\$ <u>20,030,338</u>	\$ <u>1,235,646</u>

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.

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

Village of Richfield, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

Note 5: Debt

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 4,496,037	3.75%- 8.04%
Ohio Public Works Commission Loans	958,033	0.00%
General Obligation Bond Anticipation Notes	<u>7,176,000</u>	4.09%
Total	\$ <u>12,630,070</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 will be repaid in aggregate semiannual installments of \$341,499 and \$8,875, respectively, including interest over 21 years. The loans are collateralized by water and sewer receipts.

During 2004 and 2005, the Village obtained \$875,161 in partial proceeds from an OWDA project loan to be repaid in semiannual principal payments of \$22,556 beginning in 2007. During 2005, the Village also obtained \$263,824 in partial proceeds from an OPWC project loan to be repaid in semiannual principal payments of \$21,781 beginning in 2006. The Village has not yet collected the total proceeds to be received on these loans and as a result, the debt maturity schedules below do not reflect any amounts for principal and interest. When the loans are finalized, the principal and interest will be included below.

General obligation bond anticipation notes were issued in anticipation of the issuance of bonds to pay the costs of various capital projects.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Bond Anticipation Notes</u>
2006	\$ 682,998	\$ 17,750	\$ 1,190,498
2007	590,742	12,000	1,153,811
2008	590,742	6,250	1,117,124
2009	590,742	6,250	1,080,437
2010	590,742	6,250	1,043,749
2011-2015	2,953,710	31,250	2,911,124
2016-2020	<u>372,532</u>	<u>-</u>	<u>-</u>
Total	\$ <u>6,372,208</u>	\$ <u>82,875</u>	\$ <u>8,496,743</u>

Village of Richfield, Ohio

Notes To Financial Statements

December 31, 2005 and 2004

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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2005 and 2004, 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. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2005. The Village has paid all contributions required through December 31, 2005.

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: Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and
Members of Council of the
Village of Richfield, Ohio

We have audited the financial statements of the Village of Richfield, Ohio (the "Village") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 6, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated April 6, 2006.

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, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 04-01 and 05-01. We also noted an immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated April 6, 2006.

Honorable Mayor and
Members of Council of the

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

Cini & Parichi, Inc.

Cleveland, Ohio
April 6, 2006

Village of Richfield, Ohio

Schedule of Findings

December 31, 2005 and 2004

**Findings Related To The Financial Statements
Required To Be Reported In Accordance With GAGAS**

04-01	<p>Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become 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.</p> <p>In 2004, the Special Assessment – Sewer District #1 Fund, Brecksville Road Paving Capital Projects Fund, Capital Improvements Capital Projects Fund, and Sewer Proprietary Fund had appropriations that were greater than the Certificate of Estimated Resources by \$272,062, \$145,183, \$241,304, and \$240, respectively.</p>
05-01	<p>Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become 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.</p> <p>In 2005, the Land Acquisition Capital Projects Fund had appropriations that were greater than the Certificate of Estimated Resources by \$966,223.</p>

Village of Richfield, Ohio

Schedule of Prior Audit Findings

December 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected	Explanation
02-01	Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become 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. In 2002, the CDBG Capital Projects Fund had appropriations that were greater than the Certificate of Estimated Resources by \$2,985.	No	Eleanor Lukovics, Finance Director, will monitor appropriations in 2006 to ensure that they do not exceed estimated resources.
03-01	Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become 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. In 2003, the General Fund, Parks Special Revenue Fund, and the CDBG Capital Projects Fund had appropriations that were greater than the Certificate of Estimated Resources by \$22,044, \$3,557, and \$11,444, respectfully.	No	Eleanor Lukovics, Finance Director, will monitor appropriations in 2006 to ensure that they do not exceed estimated resources.

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

Response to Findings Associated With
 Audit Conducted In Accordance With
Government Auditing Standards
 For The Year Ended December 31, 2005 and 2004

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
04-01	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Eleanor Lukovics, Finance Director
05-01	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Eleanor Lukovics, Finance Director



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF 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
JUNE 20, 2006**