

VILLAGE OF RICHFIELD

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Richfield, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 10, 2018

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**VILLAGE OF RICHFIELD
SUMMIT COUNTY
Audit Report
For the Years Ended December 31, 2017 and 2016**

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

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Richfield, Summit County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Richfield, Summit County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 5, 2018

**VILLAGE OF RICHFIELD
SUMMIT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 412,453	\$ 109,702	-	\$ -	\$ 522,155
Payment in Lieu of Taxes	-	-	-	267,727	267,727
Municipal Income Tax	9,936,282	-	-	17,040	9,953,322
Intergovernmental	179,912	262,396	-	149,040	591,348
Special Assessments	-	-	\$ 110,297	51,931	162,228
Charges for Services	1,542,565	142,707	-	25,000	1,710,272
Fines, Licenses and Permits	95,174	821	-	12,040	108,035
Earnings on Investments	10,746	2,296	12,592	3,117	28,751
Gifts and Donations	15,782	3,150	-	-	18,932
Insurance Claims and Refunds	135,968	25,029	-	40,234	201,231
Miscellaneous	31,328	8,137	1,167	1,277	41,909
<i>Total Cash Receipts</i>	<u>12,360,210</u>	<u>554,238</u>	<u>124,056</u>	<u>567,406</u>	<u>13,605,910</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,974,887	114,790	-	-	5,089,677
Public Health Services	69,321	14,024	-	-	83,345
Leisure Time Activities	116,381	241,064	-	-	357,445
Community Environment	290,083	-	-	-	290,083
Basic Utility Services	195,624	14,438	-	-	210,062
Transportation	-	2,189,605	-	-	2,189,605
General Government	1,425,950	1,217	-	-	1,427,167
Capital Outlay	-	-	-	6,485,465	6,485,465
Debt Service:					
Principal Retirement	-	-	450,241	19,487	469,728
Interest & Fiscal Charges	-	-	70,499	12,933	83,432
<i>Total Cash Disbursements</i>	<u>7,072,246</u>	<u>2,575,138</u>	<u>520,740</u>	<u>6,517,885</u>	<u>16,686,009</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	5,287,964	(2,020,900)	(396,684)	(5,950,479)	(3,080,099)
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	-	-	1,890,000	1,890,000
Sale of Capital Asset	-	-	-	21,600	21,600
Transfers In	23,532	2,031,000	434,473	5,008,455	7,497,460
Transfers Out	(7,487,460)	-	-	-	(7,487,460)
Other Financing Uses	-	-	-	(180,336)	(180,336)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(7,463,928)</u>	<u>2,031,000</u>	<u>434,473</u>	<u>6,739,719</u>	<u>1,741,264</u>
<i>Net Change in Fund Cash Balances</i>	(2,175,964)	10,100	37,789	789,240	(1,338,835)
<i>Fund Cash Balances, January 1</i>	<u>3,337,435</u>	<u>997,936</u>	<u>253,905</u>	<u>4,697,863</u>	<u>9,287,139</u>
Fund Cash Balances, December 31					
Nonspendable	3,598	-	-	-	3,598
Restricted	-	1,008,036	291,694	5,487,103	6,786,833
Assigned	336,276	-	-	-	336,276
Unassigned	821,597	-	-	-	821,597
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,161,471</u>	<u>\$ 1,008,036</u>	<u>\$ 291,694</u>	<u>\$ 5,487,103</u>	<u>\$ 7,948,304</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 BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types Enterprise Fund</u>	<u>Fiduciary Fund Types Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 1,565,557	-	\$ 1,565,557
Fines, Licenses and Permits	5,600	\$ 9,793	15,393
Income Tax	-	19,900	19,900
Miscellaneous	17,973	49,749	67,722
<i>Total Operating Cash Receipts</i>	1,589,130	79,442	1,668,572
Operating Cash Disbursements			
Personal Services	183,703	27,497	211,200
Employee Fringe Benefits	76,351	9,374	85,725
Contractual Services	834,233	201,097	1,035,330
Supplies and Materials	108,347	64,579	172,926
Other	89,831	19,897	109,728
<i>Total Operating Cash Disbursements</i>	1,292,465	322,444	1,614,909
<i>Operating Income (Loss)</i>	296,665	(243,002)	53,663
Non-Operating Receipts (Disbursements):			
Property and Other Local Taxes	-	595,903	595,903
Intergovernmental	-	7,012	7,012
Special Assessments	249,209	-	249,209
Earnings on Investments	5,260	3,206	8,466
Capital Outlay	(67,434)	-	(67,434)
Principal Retirement	-	(100,000)	(100,000)
Interest and Other Fiscal Charges	-	(353,582)	(353,582)
Other Financing Sources	72,575	-	72,575
<i>Total Non-Operating Receipts (Disbursements)</i>	259,610	152,539	412,149
<i>Income (Loss) before Transfers</i>	556,275	(90,463)	465,812
Transfers Out	(10,000)	-	(10,000)
<i>Net Change in Fund Cash Balances</i>	546,275	(90,463)	455,812
<i>Fund Cash Balance, January 1</i>	3,643,959	3,488,317	7,132,276
<i>Fund Cash Balance, December 31</i>	<u>\$ 4,190,234</u>	<u>\$ 3,397,854</u>	<u>\$ 7,588,088</u>

See accompanying Notes to the Financial Statements.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Richfield (the Village), Summit County, 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. A publicly-elected seven-member Council directs the Village. The Village provides general governmental services, sewer utilities, park operations, road repair and maintenance, fire protection services, and police services.

Jointly Governed Organizations and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 11 provide additional information for these organizations. These organizations are:

Public Entity Risk Pool:

Ohio Government Risk Management Plan, a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“members”). The plan legally separates its member governments.

Jointly Governed Organizations:

Richfield Light Industrial/Office JEDD was formed by the Village of Richfield and Richfield Township in accordance with Sections 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 Fund is used to account for the income tax collected and distributed from Richfield Township for the extension of water and sewer lines. The Village of Richfield is the fiscal agent for the JEDD.

Richfield Joint Recreation District (RJRD) was formed by the Village of Richfield and Richfield Township in accordance with Section 755.14 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of July 4, 2014. The RJRD provides community programming in recreational, educational, social, cultural and athletic areas, and it acquires property for constructing, operating, and maintaining parks, playgrounds, play fields, and to preserve and protect real property with valuable natural features as parks and spaces for governmental, civic, educational or recreational activities for the benefit of all citizens. The Village of Richfield is the fiscal agent for the RJRD.

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

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 below:

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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund This fund receives charges for services revenue that is committed to recreation programs of the Village.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had 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 Fund This fund is 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 Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Fund This fund receives income tax revenue that is used for general capital improvement and purchase of major equipment.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Accounting (continued)

Sewer Operations Fund This fund receives charges for services from residents and commercial users within the Village to cover sewer service costs.

Sanitary Sewer Capital Projects Fund This fund accounts for resources used to repair, maintain, and construct sanitary sewer lines.

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's significant agency funds are as follows:

Joint Economic Development District Fund This fund is used to account for the income tax collected and distributed from Richfield Township for the extension of sewer and water lines. The Village of Richfield is fiscal agent for the District. See Note 11 for additional information.

Mayor's Court Fund This fund is used to account for court costs and fines collected from the Mayor's Court and disbursed to the Village, State of Ohio, and other local governments.

Richfield Joint Recreation District Funds These funds are used to account for the real estate taxes collected for community programming in recreational, educational, social, cultural and athletic areas; and/or to pay the debt service and for capital improvements on property for constructing, operating, and maintaining parks, playgrounds, and play fields for the District.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (continued)

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Non-spendable The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Committed Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution or ordinance, or by State Statute. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,045,383	\$12,383,742	(\$4,661,641)
Special Revenue	2,543,585	2,585,238	41,653
Debt Service	597,826	558,529	(39,297)
Capital Projects	8,992,460	7,487,461	(1,504,999)
Enterprise	1,400,125	1,916,174	516,049

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity (continued)

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$14,857,804	\$14,620,120	\$237,684
Special Revenue	3,080,921	2,637,426	\$443,495
Debt Service	524,008	520,740	\$3,268
Capital Projects	9,198,850	8,198,824	\$1,000,026
Enterprise	1,509,710	1,398,059	\$111,651

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2017 was as follows:

	2017
Demand deposits	\$4,874,430
Certificates of deposit	3,840,900
Total deposits	8,715,330
Repurchase agreement	6,820,662
Total deposits and investments	\$15,535,992

The Village also had \$400 of petty cash on hand as of December 31, 2017.

Deposits

Deposits are insured by the Federal Depository Insurance or collateralized through the Ohio Pooled Collateral System (OPCS) by the financial institution's public entity deposit pool.

Investments

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes (Continued)

Property Taxes (Continued)

reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Income Taxes

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.

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 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (the latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's certified full-time Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Village's certified full-time Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans (Continued)

Social Security

Part-time Village Fire fighter employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$383,456	0%
Ohio Water Development Authority Loans	\$724,043	2.93-7.21%
Motorolla Lease Equipment	525,888	0-3.39%
Street improvement Bonds, Series 2017	1,725,000	2.65%
RFIB, Series 2015 - Richfield Joint Rec. Dist	6,905,000	4.50%
Manuscript Debt-Debt Service Fund	220,000	0-2.2%
Total	<u>\$10,483,387</u>	

The Village issued \$1.89 million Street Improvement Bonds, Series 2017 March, 2017. These general obligation bonds were issued to finance the costs of improving certain designated roadways in the Village, in cooperation with Summit County and otherwise, by grading, constructing, reconstructing and rehabilitating the pavement base, curbs, drainage improvements and driveway approaches, widening, realigning, preparing the surface, surfacing, and resurfacing and installing culverts and traffic signs, signals and signalization, where necessary, in each case together with the necessary appurtenances and work incidental thereto. The bonds mature December 1, 2027. The interest on the bonds is 2.65%. These bonds are paid from the Bond Retirement Fund.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

The Village has one general obligation bond anticipation note issued in 2010. This manuscript debt is from the Enterprise Fund to Debt Service Fund in the amount of \$500,000 to be repaid in installments thru 2020. As of December 31, 2017, the outstanding principal is \$220,000. The 2010 note was issued in the principal amount of \$500,000 in anticipation of the issuance of bonds to repay a portion of 2010 maturity of outstanding notes and pay for the costs of the Brecksville Road project and the construction of the administration building. The bond was purchased by the Village Enterprise Fund at a floating interest rate structure. The interest rate determined on the closing date and each redetermination date will be 100% of the MIG1 Note Scale (replacing the Bond Buyer One Year Note Index) for the week preceding the closing date or the redetermination date. The maximum interest on the Note is 2.2% per annum. The initial interest rate will be established in the closing date and will be in effect until the first Redetermination Date. The interest rate will be reset on each redetermination date and will remain in effect until the following redetermination date. The principal will be repaid in installments of \$70,000 a year from 2014 through 2019 and \$80,000 in 2020.

The Ohio Public Work's Commission (OPWC) project loans were obtained for the purpose of extending the City of Cleveland's water/sewer lines and to pave streets. The loans are being paid over a 20-year period. The loans are collateralized by water and sewer receipts.

The Ohio Water Development Authority (OWDA) project loans were obtained for the purpose of installing sewer/water lines. The OWDA loan #s 1842 and 1843 obtained in 2008 are paid over a period ranging from 9 to 10 years. These were obtained for the installation of sewer lines and are paid from special assessments collected from property owners. OWDA loan # 4253V was obtained for the Water Main Town Hall installation. It is being paid over an 18-year period in installments of \$40,032 a year. It is collateralized by water and sewer receipts. The OWDA loan # 4666 was obtained for the installation of a sewer extension. It is being paid over a period of 20 years at \$29,596 a year. It is collateralized by property taxes collected by the Village. In 2010, the Village obtained OWDA loan/grant # 5198 for sewer construction in Motor Road. The loan is being paid over a 20-year period at \$12,921 per year.

The Village entered into two equipment lease-purchase agreement number 23841 and 3790 with Motorola Credit Corp. for \$428,756 and \$277,800 worth of radio equipment commencing January 1, 2016 and December 30, 2016 respectfully. The \$428,756 agreement calls for seven annual payments of \$66,328 with the first payment made on December 17, 2015. The \$277,800 agreement states the first two years are payment free and then by January 1st, 2019 and 2020 payments of \$141,215 each year have to be made. General Fund revenue will be used to pay the agreements. The agreements mature on January 1, 2022 and January 1, 2020, respectively and have a 2.74% and 3.39% interest rate, respectively.

The RJRD District issued \$7.1 million recreational facilities improvement bonds in July, 2015. These general obligation bonds were issued to finance the purchase of the Crowell-Hilaka property for the purpose of constructing, furnishing, equipping and otherwise improving recreational facilities and acquiring, clearing, improving and equipping their sites. The bonds mature December 31, 2042. The District requested a 1.25 mill property tax levy for the bonds that voters approved on November 4, 2014. These bonds are issued to the Richfield Joint Recreation District and paid from the Agency Fund.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

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

Year ending December 31:	General Obligation Anticipation Notes	OPWC Loans	OWDA Loans	Motorolla Lease	RFIB, Series 2015	SIN, Series 2017
2018	\$71,391	\$45,113	\$168,128	\$ 66,328	\$550,250	\$195,713
2019	70,000	45,113	82,548	207,543	538,839	201,738
2020	80,000	45,113	78,948	207,543	527,429	197,498
2021	-	45,113	82,548	66,328	516,018	198,258
2022	-	45,113	83,548	-	504,607	198,885
2023-2027	-	157,891	301,463	-	2,351,875	994,220
2028-2032	-	-	38,762	-	2,066,607	-
2033-2037	-	-	-	-	1,781,339	-
2038-2042	-	-	-	-	1,496,071	-
2043-2045	-	-	-	-	264,982	-
Total	\$221,391	\$383,456	\$835,945	\$547,742	\$10,598,017	\$1,986,312

Note 10 – Contingent Liabilities

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 11 – Jointly Governed Organizations

Richfield Light Industrial 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 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.

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 in the JEDD in accordance with Section 714.74 of the Ohio Revised Code. Ten percent of the collected income tax will be distributed with five percent going to the Village and five percent going to the Township. The balance of the ninety percent will be distributed in accordance with the JEDD agreement. The JEDD is being handled through an agency fund in the Village’s financial records.

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Jointly Governed Organizations (continued)

Richfield Joint Recreation District

The Village is the fiscal agent for the Richfield Joint Recreation District (RJRD). The Village of Richfield and Richfield Township formed the RJRD in accordance with Sections 755.14 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of July 4, 2014. The District is a legally separate entity. The RJRD Board of Trustees consists of seven trustees; The Village Council and Richfield Township shall each appoint two individuals residing within the respective appointing subdivision to serve on the Board of Trustees and shall each appoint one additional Trustee who may reside inside or outside the District. One at-large Trustee residing within the District shall be appointed by a majority vote of the six subdivision-appointed members of the Board of Trustees.

The voters approved on November 4, 2014 two levies for the RJRD. The first was a .5 mil operations levy for 10 years. The second was a \$7.1 million improvement bond levy at 1.25 mils for 28 years. The RJRD provides community programming in recreational, educational, social, cultural and athletic areas, and it acquires property for constructing, operating, and maintaining parks, playgrounds, play fields, and to preserve and protect real property with valuable natural features as parks and spaces for governmental, civic educational or recreational activities for the benefit of all citizens. The RJRD is being handled through an agency fund in the Village's financial records.

Note 12 – Other Financing Uses

Other Financing uses in the amount of \$180,366 reported in the Capital Projects Funds in 2017, consists entirely of the Village's distribution of tax increment financing (TIF) distribution made each year to the Revere Local School District and the Cuyahoga Valley Career Center. The distribution is in accordance with an agreement between the Village and the Districts entered into in 2006.

**VILLAGE OF RICHFIELD
SUMMIT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts					
Property and Other Local Taxes	\$ 423,480	\$ 105,861	-	-	\$ 529,341
Payment in Lieu of Taxes	-	-	-	\$ 219,980	219,980
Municipal Income Tax	10,059,755	-	-	9,254	10,069,009
Intergovernmental	207,284	273,181	\$ 5,411	150,000	635,876
Special Assessments	-	-	171,682	-	171,682
Charges for Services	1,484,118	112,467	-	-	1,596,585
Fines, Licenses and Permits	134,041	30,976	-	138	165,155
Earnings on Investments	24,659	2,573	6,415	649	34,296
Gifts and Donations	3,507	2,396	-	744	6,647
Insurance Claims and Refunds	19,700	9,733	-	-	29,433
Miscellaneous	42,303	1,751	2,316	-	46,370
<i>Total Cash Receipts</i>	<u>12,398,847</u>	<u>538,938</u>	<u>185,824</u>	<u>380,765</u>	<u>13,504,374</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,895,448	131,645	-	-	5,027,093
Public Health Services	69,783	36,160	-	-	105,943
Leisure Time Activities	121,090	232,943	-	-	354,033
Community Environment	267,228	-	-	-	267,228
Basic Utility Services	195,623	16,473	-	-	212,096
Transportation	-	2,110,996	-	-	2,110,996
General Government	1,449,208	6,854	-	-	1,456,062
Capital Outlay	-	-	-	2,636,122	2,636,122
Debt Service:					
Principal Retirement	-	-	437,758	78,229	515,987
Interest & Fiscal Charges	-	-	32,657	22,901	55,558
<i>Total Cash Disbursements</i>	<u>6,998,380</u>	<u>2,535,071</u>	<u>470,415</u>	<u>2,737,252</u>	<u>12,741,118</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	5,400,467	(1,996,133)	(284,591)	(2,356,487)	763,256
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	-	-	-	262,392	262,392
Transfers In	-	2,003,600	444,352	3,496,681	5,944,633
Transfers Out	(5,769,633)	-	-	-	(5,769,633)
Other Financing Uses	-	-	-	(194,209)	(194,209)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,769,633)</u>	<u>2,003,600</u>	<u>444,352</u>	<u>3,564,864</u>	<u>243,183</u>
<i>Net Change in Fund Cash Balances</i>	(369,166)	7,467	159,761	1,208,377	1,006,439
<i>Fund Cash Balances, January 1</i>	<u>3,706,601</u>	<u>990,469</u>	<u>94,144</u>	<u>3,489,486</u>	<u>8,280,700</u>
Fund Cash Balances, December 31					
Nonspendable	27,130	-	-	-	27,130
Restricted	-	997,936	253,905	4,697,863	5,949,704
Assigned	11,259	-	-	-	11,259
Unassigned	3,299,046	-	-	-	3,299,046
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,337,435</u>	<u>\$ 997,936</u>	<u>\$ 253,905</u>	<u>\$ 4,697,863</u>	<u>\$ 9,287,139</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 BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise Fund	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 1,606,673	-	\$ 1,606,673
Fines, Licenses and Permits	4,100	\$ 73,189	77,289
Income Tax	-	38,721	38,721
Miscellaneous	11,566	36,397	47,963
<i>Total Operating Cash Receipts</i>	1,622,339	148,307	1,770,646
Operating Cash Disbursements			
Personal Services	143,066	27,847	170,913
Employee Fringe Benefits	58,943	8,204	67,147
Contractual Services	722,496	249,356	971,852
Supplies and Materials	90,988	21,527	112,515
Other	83,265	80,299	163,564
<i>Total Operating Cash Disbursements</i>	1,098,758	387,233	1,485,991
<i>Operating Income (Loss)</i>	523,581	(238,926)	284,655
Non-Operating Receipts (Disbursements):			
Property and Other Local Taxes	-	537,305	537,305
Intergovernmental	-	10,933	10,933
Special Assessments	169,184	-	169,184
Earnings on Investments (proprietary funds only)	4,618	3,487	8,105
Capital Outlay	(65,455)	(104,411)	(169,866)
Principal Retirement	-	(175,000)	(175,000)
Interest and Other Fiscal Charges	-	(361,607)	(361,607)
Other Financing Sources	71,833	-	71,833
<i>Total Non-Operating Receipts (Disbursements)</i>	180,180	(89,293)	90,887
<i>Income (Loss) before Transfers</i>	703,761	(328,219)	375,542
Transfers Out	(175,000)	-	(175,000)
Net Change in Fund Cash Balances	528,761	(328,219)	200,542
<i>Fund Cash Balance, January 1</i>	3,115,198	3,816,536	6,931,734
Fund Cash Balance, December 31	\$ 3,643,959	\$ 3,488,317	\$ 7,132,276

See accompanying Notes to the Financial Statements.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Richfield (the Village), Summit County, 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. A publicly-elected seven-member Council directs the Village. The Village provides general governmental services, sewer utilities, park operations, road repair and maintenance, fire protection services, and police services.

Jointly Governed Organizations and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 11 provide additional information for these organizations. These organizations are:

Public Entity Risk Pool:

Ohio Government Risk Management Plan, a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“members”). The plan legally separates its member governments.

Jointly Governed Organizations:

Richfield Light Industrial/Office JEDD was formed by the Village of Richfield and Richfield Township in accordance with Sections 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 Fund is used to account for the income tax collected and distributed from Richfield Township for the extension of water and sewer lines. The Village of Richfield is the fiscal agent for the JEDD.

Richfield Joint Recreation District (RJRD) was formed by the Village of Richfield and Richfield Township in accordance with Section 755.14 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of July 4, 2014. The RJRD provides community programming in recreational, educational, social, cultural and athletic areas, and it acquires property for constructing, operating, and maintaining parks, playgrounds, play fields, and to preserve and protect real property with valuable natural features as parks and spaces for governmental, civic, educational or recreational activities for the benefit of all citizens. The Village of Richfield is the fiscal agent for the RJRD.

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

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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 below:

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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund This fund receives charges for services revenue that is committed to recreation programs of the Village.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had 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 Fund This fund is 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 Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Fund This fund receives income tax revenue that is used for general capital improvement and purchase of major equipment.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Accounting (continued)

Sewer Operations Fund This fund receives charges for services from residents and commercial users within the Village to cover sewer service costs.

Sanitary Sewer Capital Projects Fund This fund accounts for resources used to repair, maintain, and construct sanitary sewer lines.

Fiduciary Funds *Fiduciary* funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's significant agency funds are as follows:

Joint Economic Development District Fund This fund is used to account for the income tax collected and distributed from Richfield Township for the extension of sewer and water lines. The Village of Richfield is fiscal agent for the District. See Note 11 for additional information.

Mayor's Court Fund This fund is used to account for court costs and fines collected from the Mayor's Court and disbursed to the Village, State of Ohio, and other local governments.

Richfield Joint Recreation District Funds These funds are used to account for the real estate taxes collected for community programming in recreational, educational, social, cultural and athletic areas; and/or to pay the debt service and for capital improvements on property for constructing, operating, and maintaining parks, playgrounds, and play fields for the District.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. Council recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

Committed Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution or ordinance, or by State Statute. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	2016 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$14,966,473	\$12,398,847	(\$2,567,626)
Special Revenue	2,503,679	2,542,538	38,859
Debt Service	848,413	630,176	(218,237)
Capital Projects	4,119,070	4,139,838	20,768
Enterprise	1,400,125	1,867,974	467,849

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity (continued)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$13,032,428	\$12,779,272	\$253,156
Special Revenue	2,769,759	2,588,522	\$181,237
Debt Service	503,312	470,415	\$32,897
Capital Projects	4,630,148	4,441,430	\$188,718
Enterprise	1,672,614	1,368,621	\$303,993

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2016 was as follows:

	2016
Demand deposits	\$7,578,115
Certificates of deposit	3,840,900
Total deposits	11,419,015
Repurchase agreement	5,000,000
Total deposits and investments	\$16,419,015

The Village also had \$400 of petty cash on hand as of December 31, 2016.

Deposits

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

Investments

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes (Continued)

Property Taxes (Continued)

Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Income Taxes

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.

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 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's certified full-time Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Village's certified full-time Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2016.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans (Continued)

Social Security

Part-time Village Fire fighter employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	428,569	0%
Ohio Water Development Authority Loans	855,715	2.93-7.21%
Motorolla Lease Equipment	583,831	0-3.39%
RFIB, Series 2015 - Richfield Rec	7,005,000	4.50%
Manuscript Debt-Debt Service Fund	290,000	2.20%
Total	<u>\$ 9,163,115</u>	

The prior year debt balance was overstated by \$360,000.

The Village has one general obligation bond anticipation note issued in 2010, respectively. This manuscript debt is from the Enterprise Fund to Debt Service Fund in the amount of \$500,000 to be repaid in installments thru 2020. As of December 31, 2016, the outstanding principal is \$290,000. The 2010 note was issued in the principal amount of \$500,000 in anticipation of the issuance of bonds to repay a portion of 2010 maturity of outstanding notes and pay for the costs of the Brecksville Road project and the construction of the administration building. The bond was purchased by the Village Enterprise Fund at a floating interest rate structure. The interest rate determined on the closing date and each redetermination date will be 100% of the MIG1 Note Scale (replacing the Bond Buyer One Year Note Index) for the week preceding the closing date or the redetermination date. The maximum interest on the Note is 2.2% per annum.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (Continued)

The initial interest rate will be established in the closing date and will be in effect until the first Redetermination Date. The interest rate will be reset on each redetermination date and will remain in effect until the following redetermination date. The principal will be repaid in installments of \$70,000 a year from 2014 through 2019 and \$80,000 in 2020.

The Ohio Public Work's Commission (OPWC) project loans were obtained for the purpose of extending the City of Cleveland's water/sewer lines and to pave streets. The loans are being paid over a 20-year period. The loans are collateralized by water and sewer receipts.

The Ohio Water Development Authority (OWDA) project loans were obtained for the purpose of installing sewer/water lines. The OWDA loan #s 1842 and 1843 obtained in 2008 are paid over a period ranging from 9 to 10 years. These were obtained for the installation of sewer lines and are paid from special assessments collected from property owners. OWDA loan # 4253V was obtained for the Water Main Town Hall installation. It is being paid over an 18-year period in installments of \$40,032 a year. It is collateralized by water and sewer receipts. The OWDA loan # 4666 was obtained for the installation of a sewer extension. It is being paid over a period of 20 years at \$29,596 a year. It is collateralized by property taxes collected by the Village. In 2010, the Village obtained OWDA loan/grant # 5198 for sewer construction in Motor Road. The loan is being paid over a 20-year period at \$12,921 per year.

The Village entered into two equipment lease-purchase agreement number 23841 and 3790 with Motorola Credit Corp. for \$428,756 and \$277,800 worth of radio equipment commencing January 1, 2016 and December 30, 2016 respectfully. The \$428,756 agreement calls for seven annual payments of \$66,328 with the first payment made on December 17, 2015. The \$277,800 agreement states the first two years are payment free and then by January 1st, 2019 and 2020 payments of \$141,215 each year have to be made. General Fund revenue will be used to pay the agreements. The agreements mature on January 1, 2022 and January 1, 2020, respectively and have a 2.74% and 3.39% interest rate, respectively.

The RJRD District issued \$7.1 million recreational facilities improvement bonds in July, 2015. These general obligation bonds were issued to finance the purchase of the Crowell-Hilaka property for the purpose of constructing, furnishing, equipping and otherwise improving recreational facilities and acquiring, clearing, improving and equipping their sites. The bonds mature December 31, 2042. The District requested a 1.25 mill property tax levy for the bonds that voters approved on November 4, 2014. These bonds are issued to the Richfield Joint Recreation District and paid from the Agency Fund.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (Continued)

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

Year ending December 31:	General Obligation Anticipation Notes	OPWC Loans	OWDA Loans	Motorolla Lease	RFIB, Series 2015
2017	\$73,473	\$45,113	\$167,971	\$ 66,328	\$561,661
2018	71,391	45,113	168,128	66,328	550,250
2019	70,000	45,113	82,548	207,543	538,839
2020	80,000	45,113	78,948	207,543	527,429
2021	-	45,113	82,548	66,328	516,018
2022-2026	-	203,004	357,293	-	2,408,929
2027-2031	-	-	66,480	-	2,123,661
2032-2036	-	-	-	-	1,838,393
2037-2041	-	-	-	-	1,553,125
2042-2046	-	-	-	-	541,374
Total	<u>\$294,864</u>	<u>\$428,569</u>	<u>\$1,003,916</u>	<u>\$614,070</u>	<u>\$11,159,679</u>

Note 10 – Contingent Liabilities

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 11 – Jointly Governed Organizations

Richfield Light Industrial 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 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.

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 in the JEDD in accordance with Section 714.74 of the Ohio Revised Code. Ten percent of the collected income tax will be distributed with five percent going to the Village and five percent going to the Township. The balance of the ninety percent will be distributed in accordance with the JEDD agreement. The JEDD is being handled through an agency fund in the Village’s financial records.

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Jointly Governed Organizations (continued)

Richfield Joint Recreation District

The Village is the fiscal agent for the Richfield Joint Recreation District (RJRD). The Village of Richfield and Richfield Township formed the RJRD in accordance with Sections 755.14 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of July 4, 2014. The District is a legally separate entity. The RJRD Board of Trustees consists of seven trustees; The Village Council and Richfield Township shall each appoint two individuals residing within the respective appointing subdivision to serve on the Board of Trustees and shall each appoint one additional Trustee who may reside inside or outside the District. One at-large Trustee residing within the District shall be appointed by a majority vote of the six subdivision-appointed members of the Board of Trustees.

The voters approved on November 4, 2014 two levies for the RJRD. The first was a .5 mil operations levy for 10 years. The second was a \$7.1 million improvement bond levy at 1.25 mils for 28 years. The RJRD provides community programming in recreational, educational, social, cultural and athletic areas, and it acquires property for constructing, operating, and maintaining parks, playgrounds, play fields, and to preserve and protect real property with valuable natural features as parks and spaces for governmental, civic educational or recreational activities for the benefit of all citizens. The RJRD is being handled through an agency fund in the Village's financial records.

Note 12 – Other Financing Uses

Other Financing uses in the amount of \$180,366 reported in the Capital Projects Funds in 2016, consists entirely of the Village's distribution of tax increment financing (TIF) distribution made each year to the Revere Local School District and the Cuyahoga Valley Career Center. The distribution is in accordance with an agreement between the Village and the Districts entered into in 2006.

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

INDEPENDENT AUDITOR'S 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

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

To the Village Council:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Richfield, Summit County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 5, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider to be a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 5, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 5, 2018

**VILLAGE OF RICHFIELD
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2017 and 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-001 - Material Weakness

Fund balance classification and Footnotes

During 2017 and 2016, errors were noted in the Village's financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- Recorded Unclaimed moneies as unassigned instead of nonspendable in 2016.
- Did not properly classify special revenue and capital project encumbrances as restricted in both 2016 and 2017
- Budgetary footnotes were modified due to the client presenting information that was not final for the budgeted amounts.
- Did not calculate subsequent year appropriations nor record as assigned fund balance.
- Double counted a debt issue in the prior year.

The Governmental Accounting Standards Board Statement (GASB) No. 54 provides definitions of each fund balance category and how to record them. We recommend using GASB Statement No. 54, Auditor of State Bulletin 2011-004, the Village Officers' Handbook and other Auditor of State guidance to provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

Management's Response:

See Corrective Action Plan.

**VILLAGE OF RICHFIELD
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
December 31, 2017 and 2016**

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2015-001	Material weakness – Transactions erroneously recorded.	Not corrected	Repeated as Finding 2017- 001
2015-002	Significant deficiency – Bank reconciliation and unresolved issues	Corrected	Finding no longer valid

VILLAGE OF RICHFIELD
SUMMIT COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2017 and 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Village is working diligently at posting all transactions correctly and will correct these items going forward.	Immediately	Sandy Turk, Finance Director

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Dave Yost • 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
AUGUST, 23 2018