



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
<u>Basic Financial Statements – For the Year Ended December 31, 2018:</u>	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis.....	3
Statement of Activities – Cash Basis	4
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	5
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds	6
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund	7
Statement of Net Position – Cash Basis Proprietary Funds	8
Statement of Cash Receipts, Disbursements and Changes in Net Position – Cash Basis Proprietary Funds	9
Statement of Fiduciary Net Position – Cash Basis Fiduciary Fund	10
Notes to the Basic Financial Statements.....	11

VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY

TABLE OF CONTENTS (Continued)

TITLE	PAGE
Prepared by Management:	
<u>Basic Financial Statements – For the Year Ended December 31, 2017:</u>	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis.....	33
Statement of Activities – Cash Basis	34
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	35
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds	36
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund	37
Statement of Net Position – Cash Basis Proprietary Funds	38
Statement of Cash Receipts, Disbursements and Changes in Net Position – Cash Basis Proprietary Funds	39
Statement of Fiduciary Net Position – Cash Basis Fiduciary Fund	40
Notes to the Basic Financial Statements.....	41
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	61
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	63

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Village of Middlefield
Geauga County
14860 North State Avenue
Middlefield, Ohio 44062

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio, as of December 31, 2018 and 2017, and the respective changes in cash financial position and the budgetary comparisons for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 30, 2019

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 2,621,199	\$ 2,687,805	\$ 5,309,004
Cash in segregated accounts	2,300	-	2,300
Total assets	<u>2,623,499</u>	<u>2,687,805</u>	<u>5,311,304</u>
Net Position			
Restricted for:			
Capital projects	870,829	-	870,829
Other purposes	562,145	-	562,145
Unrestricted	<u>1,190,525</u>	<u>2,687,805</u>	<u>3,878,330</u>
Total net position	<u>\$ 2,623,499</u>	<u>\$ 2,687,805</u>	<u>\$ 5,311,304</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2018

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 837,253	\$ 64,820	\$ -	\$ -	\$ (772,433)	\$ -	\$ (772,433)
Security of persons and property	1,124,517	14,108	29,979	-	(1,080,430)	-	(1,080,430)
Public health services	36,162	22,162	-	-	(14,000)	-	(14,000)
Leisure time activities	222,480	38,366	25,033	-	(159,081)	-	(159,081)
Community environment	104,390	29,372	-	-	(75,018)	-	(75,018)
Basic utility services	5,952	25,720	-	-	19,768	-	19,768
Transportation	252,064	7,620	-	114,480	(129,964)	-	(129,964)
Capital outlay	484,792	-	-	135,500	(349,292)	-	(349,292)
Debt service:							
Principal retirement	850,998	-	-	-	(850,998)	-	(850,998)
Interest and fiscal charges	85,361	-	-	-	(85,361)	-	(85,361)
Total governmental activities	4,003,969	202,168	55,012	249,980	(3,496,809)	-	(3,496,809)
Business-Type Activity							
Water	426,477	661,382	-	-	-	234,905	234,905
Sewer	609,703	779,538	-	-	-	169,835	169,835
Water Emergency	225,803	-	-	-	-	(225,803)	(225,803)
Other Enterprise	149,052	147,618	-	-	-	(1,434)	(1,434)
Total business-type activities	1,411,035	1,588,538	-	-	-	177,503	177,503
Total government	\$ 5,415,004	\$ 1,790,706	\$ 55,012	\$ 249,980	(3,496,809)	177,503	(3,319,306)
General Receipts							
Municipal income taxes levied for:							
General purposes					2,800,094	-	2,800,094
Property taxes levied for:							
General purposes					257,094	-	257,094
Security of persons and property					267,911	-	267,911
Grants and entitlements not restricted							
to specific programs					247,468	-	247,468
Other debt issued					51,245	219,931	271,176
Earnings on investment					53,446	-	53,446
Miscellaneous					1,237	-	1,237
Total general receipts					3,678,495	219,931	3,898,426
Transfers					86,226	(86,226)	-
Total general receipts and transfers					3,764,721	133,705	3,898,426
Change in net position					267,912	311,208	579,120
Net position beginning of year					2,355,587	2,376,597	4,732,184
Net position end of year					\$ 2,623,499	\$ 2,687,805	\$ 5,311,304

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2018

	General	Equipment Replacement Fund	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 1,193,604	\$ 346,729	\$ 368,721	\$ 712,145	\$ 2,621,199
Cash in segregated accounts	-	-	-	2,300	2,300
Total assets	<u>1,193,604</u>	<u>346,729</u>	<u>368,721</u>	<u>714,445</u>	<u>2,623,499</u>
Fund Balances					
Nonspendable	3,079	-	-	-	3,079
Restricted	-	346,729	368,721	684,435	1,399,885
Committed	-	-	-	30,010	30,010
Assigned	921	-	-	-	921
Unassigned	1,189,604	-	-	-	1,189,604
Total fund balances	<u>\$ 1,193,604</u>	<u>\$ 346,729</u>	<u>\$ 368,721</u>	<u>\$ 714,445</u>	<u>\$ 2,623,499</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

	General	Equipment Replacement Fund	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 2,800,094	\$ -	\$ -	\$ -	\$ 2,800,094
Property and other local taxes	257,094	-	-	267,911	525,005
Charges for services	34,230	-	25,720	43,970	103,920
Fines, licenses and permits	67,673	-	-	1,203	68,876
Intergovernmental	387,929	-	-	130,750	518,679
Gifts and contributions	4,100	-	-	4,640	8,740
Interest	53,446	-	-	2	53,448
Miscellaneous	1,237	-	-	54,411	55,648
Total receipts	3,605,803	-	25,720	502,887	4,134,410
Disbursements					
Current:					
General government	821,926	-	12,864	2,463	837,253
Security of persons and property	946,765	-	-	177,752	1,124,517
Public health services	-	-	-	36,162	36,162
Leisure time activities	86,626	-	-	135,854	222,480
Community environment	71,189	-	-	33,201	104,390
Basic utility services	5,952	-	-	-	5,952
Transportation	121,037	-	-	131,027	252,064
Capital outlay	365,321	82,831	35,440	1,200	484,792
Debt service:					
Principal retirement	842,963	-	-	8,035	850,998
Interest and fiscal charges	85,361	-	-	-	85,361
Total disbursements	3,347,140	82,831	48,304	525,694	4,003,969
Excess of receipts over (under) disbursements	258,663	(82,831)	(22,584)	(22,807)	130,441
Other financing sources (uses)					
Other debt issued	18,333	-	32,912	-	51,245
Transfers in	75,000	146,098	-	162,089	383,187
Transfers out	(256,711)	-	-	(40,250)	(296,961)
Total other financing sources (uses)	(163,378)	146,098	32,912	121,839	137,471
Net change in fund balance	95,285	63,267	10,328	99,032	267,912
Fund balances beginning of year	1,098,319	283,462	358,393	615,413	2,355,587
Fund balances end of year	<u>\$ 1,193,604</u>	<u>\$ 346,729</u>	<u>\$ 368,721</u>	<u>\$ 714,445</u>	<u>\$ 2,623,499</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal income taxes	\$ 29,102	\$ 70,907	\$ 31,618	\$ (39,289)
Property and other local taxes	245,650	245,650	257,094	11,444
Charges for services	31,507	76,765	34,230	(42,535)
Fines, licenses and permits	62,289	151,764	67,673	(84,091)
Intergovernmental	48,366	48,366	387,929	339,563
Gifts and contributions	3,774	9,195	4,100	(5,095)
Interest	49,194	119,859	53,446	(66,413)
Miscellaneous	25	61	27	(34)
Total receipts	469,906	722,566	836,117	113,551
Disbursements				
Current:				
General government	456,540	460,240	395,002	65,238
Security of persons and property	840,850	877,850	946,765	(68,915)
Leisure time activities	81,050	95,202	86,626	8,576
Community environment	27,000	31,000	48,932	(17,932)
Basic utility services	96,950	97,100	5,952	91,148
Transportation	18,950	18,950	23,756	(4,806)
Capital outlay	-	211,517	365,349	(153,832)
Total disbursements	1,521,340	1,791,859	1,872,382	(80,523)
Excess of receipts under disbursements	(1,051,434)	(1,069,293)	(1,036,265)	33,028
Other financing sources (uses)				
Other debt issued	-	-	18,333	18,333
Transfers in	1,085,000	1,085,000	1,075,000	(10,000)
Transfers out	(78,600)	(106,600)	(105,961)	639
Total other financing sources (uses)	1,006,400	978,400	987,372	8,972
Net change in fund balance	(45,034)	(90,893)	(48,893)	42,000
Fund balance at beginning of year	243,297	243,297	243,297	-
Prior year encumbrances appropriated	939	939	939	-
Fund balance at end of year	\$ 199,202	\$ 153,343	\$ 195,343	\$ 42,000

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
Proprietary Funds
December 31, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>New Well Capital Improvement</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 898,994	\$ 790,649	\$ 548,175	\$ 325,442	\$ 124,545	\$ 2,687,805
Total assets	<u>898,994</u>	<u>790,649</u>	<u>548,175</u>	<u>325,442</u>	<u>124,545</u>	<u>2,687,805</u>
Net Position						
Unrestricted	<u>898,994</u>	<u>790,649</u>	<u>548,175</u>	<u>325,442</u>	<u>124,545</u>	<u>2,687,805</u>
Total net position	<u>\$ 898,994</u>	<u>\$ 790,649</u>	<u>\$ 548,175</u>	<u>\$ 325,442</u>	<u>\$ 124,545</u>	<u>\$ 2,687,805</u>

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2018

	Water	Sewer	Sewer Capital Improvement	New Well Capital Improvement	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts						
Charges for services	\$ 650,094	\$ 765,555	\$ -	\$ -	\$ 146,509	\$ 1,562,158
Other operating receipts	11,288	13,983	-	-	1,109	26,380
Total operating receipts	661,382	779,538	-	-	147,618	1,588,538
Operating Disbursements						
Personal services	138,264	188,335	-	-	-	326,599
Employee fringe benefits	15,112	3,800	-	-	-	18,912
Contractual services	163,487	308,796	5,872	-	141,740	619,895
Supplies and materials	83,574	80,018	-	-	7,312	170,904
Total operating disbursements	400,437	580,949	5,872	-	149,052	1,136,310
Operating income	260,945	198,589	(5,872)	-	(1,434)	452,228
Non-operating disbursements						
Proceeds of OWDA loans	-	-	219,931	-	-	219,931
Capital outlay	-	(2,714)	(219,931)	-	-	(222,645)
Principal retirement	(26,040)	(26,040)	-	-	-	(52,080)
Total non-operating disbursements	(26,040)	(28,754)	-	-	-	(54,794)
Income before transfers	234,905	169,835	(5,872)	-	(1,434)	397,434
Transfers						
Transfers in	-	-	18,928	7,129	40,716	66,773
Transfers out	(108,749)	(44,250)	-	-	-	(152,999)
Total transfers	(108,749)	(44,250)	18,928	7,129	40,716	(86,226)
Change in net position	126,156	125,585	13,056	7,129	39,282	311,208
Net position beginning of year	772,838	665,064	535,119	318,313	85,263	2,376,597
Net position end of year	<u>\$ 898,994</u>	<u>\$ 790,649</u>	<u>\$ 548,175</u>	<u>\$ 325,442</u>	<u>\$ 124,545</u>	<u>\$ 2,687,805</u>

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2018

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 13,062
Total assets	<u>13,062</u>
Net Position	
Restricted for:	
Deposits	\$ 13,062
Total net position	<u>\$ 13,062</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Middlefield, Geauga County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members, a fiscal officer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, utility (including water and sewer) and general administrative services.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Middlefield provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. Council has direct responsibility for these services.

Jointly Governed Organizations

The Village participates in the Northeast Ohio Public Energy Council (NOPEC), a jointly governed organization. Note 11 provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. In accordance with GASB 54, the Village's Income Tax fund is presented as a part of the general fund in the financial statements. All interfund transactions are eliminated. 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.

Equipment Replacement Fund The equipment replacement fund is used to account for and report monies for the acquisition of capital assets.

Utility Capital Improvement Fund The utility capital improvement fund is used to account for and report monies for general improvement of facilities and assets used by the utility functions of the Village.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The Village does not have an internal service fund.

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

Water Fund The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Capital Improvement Fund This fund is used to record tap-in-fees for new construction and disbursements that are used for sewer treatment expenses.

New Well Capital Improvement Fund This fund is used to record tap-in-fees for new construction and disbursements that are used for water treatment expenses.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments or other organizations. The Village's agency fund accounts for bonds that are returned when construction is complete.

Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

Cash and Investments

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

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves and debt service are reported as "Cash in Segregated Accounts". The Village uses a segregated account to account for contractor bonds and represents deposits or short-term investments in certificates of deposit.

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

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

During 2018, the Village invested in federal agency securities, nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2018 were \$53,446, \$41,045 of which is assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or by laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village’s cash basis of accounting.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The Village's unclaimed monies are reported as nonspendable in the General Fund.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State statute. State Statute authorizes the Village Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues 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 all amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

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

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are shown below:

Budget Basis Reconciliation	
Fund Balance, Cash Basis	\$ 1,193,604
Outstanding Encumbrances	(921)
GASB 54 Adjustment	<u>(997,340)</u>
Fund Balance, Budget Basis	<u>\$ 195,343</u>

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be deposited or invested in the following securities:

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments (continued)

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Village's bank balance of \$2,924,758 (including nonnegotiable certificates of deposit) was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State.

Investments

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

Investment Type	Measurement Value	Investment Maturities		
		Less than 1	1-3	3-5
Star Ohio	\$ 57,037	\$ 57,037	\$ -	\$ -
Treasury Money Market	6,089	6,089	-	-
CDARs	1,876,271	1,150,849	628,471	96,951
Total Investments	\$ 1,939,397	\$ 1,213,975	\$ 628,471	\$ 96,951

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments (continued)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investment to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$6.45 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2018 property tax receipts were based are as follows:

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes (continued)

	<u>2018</u>
Real property	
Residential and agricultural	\$ 42,941,310
Other	<u>45,006,580</u>
Total assessed value	<u>\$ 87,947,890</u>

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

Income Taxes

The Village levies a 1% income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1% must pay the difference to the Village. Additional increases in income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

Income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2018, the receipts were allocated solely to the general fund.

Note 6 – Risk Management

The Village of Middlefield has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability
- Law Enforcement Liability

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

All employees of the Village are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans (continued)

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$94,867 for year 2018.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans (continued)

Ohio Police & Fire Pension Fund

Plan Description – Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans (continued)

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$124,462 for 2018.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS’ CAFR referenced below for additional information.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits (continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2018.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits (continued)

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village's contribution to OPF for healthcare for the years ended December 31, 2018, 2017, and 2016 were \$3,191, \$3,004, and \$2,944, respectively. The full amount has been contributed for all three years.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

The Village’s long-term debt activity for the year ended December 31, 2018 was as follows:

	Balance at 1/1/2018	Increase	Decrease	Balance at 12/31/2018	Due within one year
OPWC Loans 0%	\$ 638,130	\$ 18,333	\$ (86,155)	\$ 570,308	\$ 86,155
OWDA Loans 0%-2.78%	9,372,632	220,396	(816,923)	8,776,105	823,495
	<u>\$ 10,010,762</u>	<u>\$ 238,729</u>	<u>\$ (903,078)</u>	<u>\$ 9,346,413</u>	<u>\$ 909,650</u>

The Ohio Public Works Commission (OPWC) Loans were used for improvements to the Village’s water treatment and sewer treatment systems. In 2014, the Village completed work on the Sperry Lane construction project and OPWC completed the amortization schedule for that loan which is to be paid from both income taxes and user charges. The other OPWC loans will be paid from income tax revenue.

The Ohio Water Development Authority (OWDA) Loans were used for the Village’s water and sewer expansion. The OWDA loans will be repaid from income tax revenue. One of the OWDA loans included above is not complete. As of December 31, 2018, the loan balance included above includes \$465 in capitalized interest. No amortization schedule is available for this loan and it is not included below.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018 are as follows:

Year Ending	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
December 31:			
2019	86,155	823,495	78,790
2020	86,155	830,248	72,037
2021	86,155	837,188	65,096
2022	86,155	844,321	57,964
2023	86,155	851,651	50,633
2024-2028	121,200	4,085,715	135,912
2029-2033	-	159,158	2,189
Total	<u>\$ 551,975</u>	<u>\$ 8,431,776</u>	<u>\$ 462,621</u>

Note 10 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of disbursements which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 11 – Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village of Middlefield did not contribute to NOPEC during 2018. Financial information can be obtained by contacting Chuck Keiper, Executive Director, at 31320 Solon Road, Suite 20 Solon, Ohio 44139 or on the website www.nopecinfo.org.

**Village of Middlefield
Geauga County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 12 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<i>2018 Fund Balances</i>	<i>General</i>	<i>Equipment Replacement</i>	<i>Utility Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<u>Nonspendable</u>					
Unclaimed monies	\$ 3,079	\$ -	\$ -	\$ -	\$ 3,079
Total nonspendable	<u>3,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,079</u>
<u>Restricted for</u>					
Recreation center	-	-	-	7,129	7,129
Law enforcement	-	-	-	105,656	105,656
Street and highway repair	-	-	-	81,407	81,407
Cemetery	-	-	-	109,643	109,643
Ambulance levy	-	-	-	82,698	82,698
Sick leave	-	-	-	153,497	153,497
Endowment	-	-	-	2,072	2,072
Trust	-	-	-	594	594
Economic Development	-	-	-	16,370	16,370
Capital improvements	-	346,729	368,721	125,369	840,819
Total restricted	<u>-</u>	<u>346,729</u>	<u>368,721</u>	<u>684,435</u>	<u>1,399,885</u>
<u>Committed for</u>					
Capital improvements	-	-	-	30,010	30,010
<u>Assigned</u>					
Encumbrances	921	-	-	-	921
Total assigned	<u>921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>921</u>
<u>Unassigned</u>					
	1,189,604	-	-	-	1,189,604
Total fund balances	<u>\$1,193,604</u>	<u>\$ 346,729</u>	<u>\$ 368,721</u>	<u>\$ 714,445</u>	<u>\$ 2,623,499</u>

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 13 – Interfund Transactions

The following is a reconciliation of the Village’s transfers:

Fund	2018	
	Transfers In	Transfers Out
General	\$ 75,000	\$ 256,711
Equipment replacement	146,098	-
Police levy	-	40,250
Street construction, maintenance and repair	34,944	-
State highway	20,645	-
Recreation	90,000	-
Sidewalks	15,000	-
Sick leave	1,500	-
Subtotal Nonmajor Governmental Funds	<u>162,089</u>	<u>40,250</u>
Refuse revenue	40,000	-
Sewer capital improvements	18,928	-
New well capital improvements	7,129	-
Water revenue	-	108,749
Water emergency	716	-
Sewer revenue	-	44,250
Total Enterprise Funds	<u>66,773</u>	<u>152,999</u>
Total	<u>\$ 449,960</u>	<u>\$ 449,960</u>

Transfers are made from the general fund to subsidize operations of other funds. Transfers are also made from other funds to move money for the payment of debt and capital disbursements. Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions.

This page intentionally left blank.

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 2,353,286	\$ 2,376,600	\$ 4,729,886
Cash in segregated accounts	2,300	-	2,300
Total assets	<u>2,355,586</u>	<u>2,376,600</u>	<u>4,732,186</u>
Net Position			
Restricted for:			
Capital projects	791,470	-	791,470
Other purposes	468,878	-	468,878
Unrestricted	<u>1,095,238</u>	<u>2,376,600</u>	<u>3,471,838</u>
Total net position	<u>\$ 2,355,586</u>	<u>\$ 2,376,600</u>	<u>\$ 4,732,186</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 714,623	\$ 188,852	\$ -	\$ -	\$ (525,771)	\$ -	\$ (525,771)
Security of persons and property	1,022,148	16,333	5,154	-	(1,000,661)	-	(1,000,661)
Public health services	20,277	16,135	-	-	(4,142)	-	(4,142)
Leisure time activities	208,930	51,183	29,199	-	(128,548)	-	(128,548)
Community environment	275,897	100,488	-	-	(175,409)	-	(175,409)
Basic utility services	8,040	59,087	-	-	51,047	-	51,047
Transportation	229,750	1,525	-	121,384	(106,841)	-	(106,841)
Capital outlay	350,608	-	-	-	(350,608)	-	(350,608)
Debt service:							
Principal retirement	844,604	-	-	-	(844,604)	-	(844,604)
Interest and fiscal charges	91,756	-	-	-	(91,756)	-	(91,756)
Total governmental activities	3,766,633	433,603	34,353	121,384	(3,177,293)	-	(3,177,293)
Business-Type Activity							
Water	408,549	681,830	-	-	-	273,281	273,281
Sewer	580,859	785,683	-	-	-	204,824	204,824
Other Enterprise	85,693	76,787	-	-	-	(8,906)	(8,906)
Total business-type activities	1,075,101	1,544,300	-	-	-	469,199	469,199
Total government	\$ 4,841,734	\$ 1,977,903	\$ 34,353	\$ 121,384	(3,177,293)	469,199	(2,708,094)
General Receipts							
Municipal income taxes levied for:							
General purposes					2,648,938	-	2,648,938
Property taxes levied for:							
General purposes					248,788	-	248,788
Security of persons and property					187,979	-	187,979
Grants and entitlements not restricted							
to specific programs					60,206	-	60,206
Other debt issued					126,483	-	126,483
Sale of capital assets					15,880	-	15,880
Earnings on investment					23,043	-	23,043
Miscellaneous					9,587	-	9,587
Total general receipts					3,320,904	-	3,320,904
Transfers					126,321	(126,321)	-
Total general receipts and transfers					3,447,225	(126,321)	3,320,904
Change in net position					269,932	342,878	612,810
Net position beginning of year					2,085,654	2,033,722	4,119,376
Net position end of year					\$ 2,355,586	\$ 2,376,600	\$ 4,732,186

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2017

	General	Equipment Replacement Fund	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 1,098,317	\$ 283,462	\$ 358,393	\$ 613,114	\$ 2,353,286
Cash in segregated accounts	-	-	-	2,300	2,300
Total assets	<u>\$ 1,098,317</u>	<u>\$ 283,462</u>	<u>\$ 358,393</u>	<u>\$ 615,414</u>	<u>\$ 2,355,586</u>
Fund Balances					
Nonspendable	\$ 3,079	\$ -	\$ -	\$ -	\$ 3,079
Restricted	-	283,462	358,393	585,404	1,227,259
Committed	-	-	-	30,010	30,010
Assigned	3,467	-	-	-	3,467
Unassigned	1,091,771	-	-	-	1,091,771
Total fund balances	<u>\$ 1,098,317</u>	<u>\$ 283,462</u>	<u>\$ 358,393</u>	<u>\$ 615,414</u>	<u>\$ 2,355,586</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	General	Equipment Replacement Fund	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 2,648,938	\$ -	\$ -	\$ -	\$ 2,648,938
Property and other local taxes	248,788	-	-	187,979	436,767
Charges for services	46,355	-	56,538	51,244	154,137
Fines, licenses and permits	58,611	-	-	95	58,706
Intergovernmental	166,860	-	-	131,660	298,520
Special assessments	-	-	2,549	-	2,549
Gifts and contributions	43	-	-	5,111	5,154
Interest	23,043	-	-	-	23,043
Miscellaneous	10,382	-	-	129,685	140,067
Total receipts	<u>3,203,020</u>	<u>-</u>	<u>59,087</u>	<u>505,774</u>	<u>3,767,881</u>
Disbursements					
Current:					
General government	703,322	-	8,778	2,523	714,623
Security of persons and property	872,009	-	-	150,139	1,022,148
Public health services	-	-	-	20,277	20,277
Leisure time activities	73,660	-	-	135,270	208,930
Community environment	75,897	-	-	200,000	275,897
Basic utility services	8,040	-	-	-	8,040
Transportation	86,154	-	-	143,596	229,750
Capital outlay	89,523	98,423	123,440	39,222	350,608
Debt service:					
Principal retirement	836,569	-	-	8,035	844,604
Interest and fiscal charges	91,756	-	-	-	91,756
Total disbursements	<u>2,836,930</u>	<u>98,423</u>	<u>132,218</u>	<u>699,062</u>	<u>3,766,633</u>
Excess of receipts over (under) disbursements	<u>366,090</u>	<u>(98,423)</u>	<u>(73,131)</u>	<u>(193,288)</u>	<u>1,248</u>
Other financing sources (uses)					
Other debt issued	33,406	-	93,077	-	126,483
Sale of capital assets	15,880	-	-	-	15,880
Transfers in	85,000	135,735	-	148,836	369,571
Transfers out	(213,000)	-	-	(30,250)	(243,250)
Total other financing sources (uses)	<u>(78,714)</u>	<u>135,735</u>	<u>93,077</u>	<u>118,586</u>	<u>268,684</u>
Net change in fund balance	287,376	37,312	19,946	(74,702)	269,932
Fund balances beginning of year	<u>810,941</u>	<u>246,150</u>	<u>338,447</u>	<u>690,116</u>	<u>2,085,654</u>
Fund balances end of year	<u>\$ 1,098,317</u>	<u>\$ 283,462</u>	<u>\$ 358,393</u>	<u>\$ 615,414</u>	<u>\$ 2,355,586</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal income taxes	\$ 170	\$ 492	\$ 128	\$ (364)
Property and other local taxes	242,728	242,728	248,788	6,060
Charges for services	61,502	178,021	46,355	(131,666)
Fines, licenses and permits	77,763	225,089	58,611	(166,478)
Intergovernmental	49,180	49,180	166,860	117,680
Gifts and contributions	57	165	43	(122)
Interest	30,573	88,494	23,043	(65,451)
Miscellaneous	1,075	3,111	810	(2,301)
Total receipts	463,048	787,280	544,638	(242,642)
Disbursements				
Current:				
General government	482,115	653,465	407,031	246,434
Security of persons and property	836,170	844,170	872,009	(27,839)
Leisure time activities	72,415	75,290	73,852	1,438
Community environment	60,054	62,437	61,245	1,192
Basic utility services	7,884	8,197	8,040	157
Transportation	21,216	22,058	21,637	421
Capital outlay	87,781	91,266	89,523	1,743
Total disbursements	1,567,635	1,756,883	1,533,337	223,546
Excess of receipts under disbursements	(1,104,587)	(969,603)	(988,699)	(19,096)
Other financing sources (uses)				
Other debt issued	-	-	33,406	33,406
Sale of capital assets	-	-	15,880	15,880
Transfers in	1,085,000	1,085,000	1,205,000	120,000
Transfers out	-	-	(59,250)	(59,250)
Total other financing sources (uses)	1,085,000	1,085,000	1,195,036	110,036
Net change in fund balance	(19,587)	115,397	206,337	90,940
Fund balance at beginning of year	36,028	36,028	36,028	-
Prior year encumbrances appropriated	931	931	931	-
Fund balance at end of year	\$ 17,372	\$ 152,356	\$ 243,296	\$ 90,940

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
Proprietary Funds
December 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>New Well Capital Improvement</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 772,842	\$ 665,064	\$ 535,119	\$ 318,313	\$ 85,262	\$ 2,376,600
Total assets	<u>\$ 772,842</u>	<u>\$ 665,064</u>	<u>\$ 535,119</u>	<u>\$ 318,313</u>	<u>\$ 85,262</u>	<u>\$ 2,376,600</u>
Net Position						
Unrestricted	<u>\$ 772,842</u>	<u>\$ 665,064</u>	<u>\$ 535,119</u>	<u>\$ 318,313</u>	<u>\$ 85,262</u>	<u>\$ 2,376,600</u>
Total net position	<u><u>\$ 772,842</u></u>	<u><u>\$ 665,064</u></u>	<u><u>\$ 535,119</u></u>	<u><u>\$ 318,313</u></u>	<u><u>\$ 85,262</u></u>	<u><u>\$ 2,376,600</u></u>

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2017

	Water	Sewer	Sewer Capital Improvement	New Well Capital Improvement	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts						
Charges for services	\$ 659,311	\$ 778,500	\$ -	\$ -	\$ 76,175	\$ 1,513,986
Other operating receipts	22,519	7,183	-	-	612	30,314
Total operating receipts	681,830	785,683	-	-	76,787	1,544,300
Operating Disbursements						
Personal services	137,580	201,559	-	-	-	339,139
Employee fringe benefits	13,664	3,972	-	-	-	17,636
Contractual services	143,311	278,745	-	-	81,050	503,106
Supplies and materials	87,954	68,240	-	-	4,643	160,837
Total operating disbursements	382,509	552,516	-	-	85,693	1,020,718
Operating income	299,321	233,167	-	-	(8,906)	523,582
Non-operating disbursements						
Capital outlay	-	(2,303)	-	-	-	(2,303)
Principal retirement	(26,040)	(26,040)	-	-	-	(52,080)
Total non-operating disbursements	(26,040)	(28,343)	-	-	-	(54,383)
Income before transfers	273,281	204,824	-	-	(8,906)	469,199
Transfers						
Transfers in	-	-	15,720	12,429	14,030	42,179
Transfers out	(125,250)	(43,250)	-	-	-	(168,500)
Change in net position	148,031	161,574	15,720	12,429	5,124	342,878
Net position beginning of year	624,811	503,490	519,399	305,884	80,138	2,033,722
Net position end of year	<u>\$ 772,842</u>	<u>\$ 665,064</u>	<u>\$ 535,119</u>	<u>\$ 318,313</u>	<u>\$ 85,262</u>	<u>\$ 2,376,600</u>

See accompanying notes to the financial statements

Village of Middlefield
Geauga County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2017

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 13,062
Total assets	<u>13,062</u>
Net Position	
Restricted for:	
Deposits	\$ 13,062
Total net position	<u>\$ 13,062</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Middlefield, Geauga County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members, a fiscal officer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, utility (including water and sewer) and general administrative services.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Middlefield provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. Council has direct responsibility for these services.

Jointly Governed Organizations

The Village participates in the Northeast Ohio Public Energy Council (NOPEC), a jointly governed organization. Note 12 provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. In accordance with GASB 54, the Village's Income Tax fund is presented as a part of the general fund in the financial statements. All interfund transactions are eliminated. 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.

Equipment Replacement Fund The equipment replacement fund is used to account for and report monies for the acquisition of capital assets.

Utility Capital Improvement Fund The utility capital improvement fund is used to account for and report monies for general improvement of facilities and assets used by the utility functions of the Village.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The Village does not have an internal service fund.

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

Water Fund The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Capital Improvement Fund This fund is used to record tap-in-fees for new construction and disbursements that are used for sewer treatment expenses.

New Well Capital Improvement Fund This fund is used to record tap-in-fees for new construction and disbursements that are used for water treatment expenses.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments or other organizations. The Village's agency fund accounts for bonds that are returned when construction is complete.

Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

Cash and Investments

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

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves and debt service are reported as "Cash in Segregated Accounts". The Village uses a segregated account to account for contractor bonds and represents deposits or short-term investments in certificates of deposit.

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

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

During 2017, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

The Village's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2017 were \$23,043, \$4,956 of which is assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or by laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The Village's unclaimed monies are reported as nonspendable in the General Fund.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State statute. State Statute authorizes the Village Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The GASB 54 adjustment represents the activity of the Village’s Income Tax fund which is presented with the general fund in the financial statements but budgeted separately by the Village. The differences between the budgetary basis and the cash basis are shown below:

Budget Basis Reconciliation	
Fund Balance, Cash Basis	\$ 1,098,317
Outstanding Encumbrances	(939)
GASB 54 Adjustment	(854,082)
Fund Balance, Budget Basis	<u>\$ 243,296</u>

Note 4 – Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Village's bank balance of \$2,731,085 was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

Investments

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

Investment Type	2017 Fair Value
Star Ohio	\$ 55,936
Wunderlich Securities	1,865,482
Total Investments	\$ 1,921,418

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investment to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Note 5 – Taxes

Property Taxes

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

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes (continued)

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

The full tax rate for all Village operations for the year ended December 31, 2017, was \$6.45 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2018 property tax receipts were based are as follows:

	<u>2017</u>
Real property	
Residential and agricultural	\$ 42,208,030
Other	44,474,680
Total assessed value	<u>\$ 86,682,710</u>

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

Income Taxes

The Village levies a 1% income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1% must pay the difference to the Village. Additional increases in income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

Income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2017, the receipts were allocated solely to the general fund.

Note 6 – Risk Management

The Village of Middlefield has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability
- Law Enforcement Liability

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

All employees of the Village are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans (continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$85,390 for year 2017.

Ohio Police & Fire Pension Fund

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans (continued)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$117,168 for 2017.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded 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 of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits (continued)

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 changed to 1.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$6,099, \$15,779, and \$15,730, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits (continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contribution to OPF for healthcare for the years ended December 31, 2017, 2016, and 2015 were \$3,004, \$2,944, and \$5,634, respectively. The full amount has been contributed for all three years.

Note 9 – Debt

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

	<u>Balance at</u> <u>1/1/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>12/31/2017</u>	<u>Due within</u> <u>one year</u>
OPWC Loans 0%	\$ 724,285	\$ -	\$ (86,155)	\$ 638,130	\$ 86,155
OWDA Loans 0%-2.78%	<u>10,059,227</u>	<u>123,934</u>	<u>(810,529)</u>	<u>9,372,632</u>	<u>816,923</u>
	<u>\$ 10,783,512</u>	<u>\$ 123,934</u>	<u>\$ (896,684)</u>	<u>\$ 10,010,762</u>	<u>\$ 903,078</u>

The Ohio Public Works Commission (OPWC) Loans were used for improvements to the Village's water treatment and sewer treatment systems. In 2014, the Village completed work on the Sperry Lane construction project and OPWC completed the amortization schedule for that loan which is to be paid from both income taxes and user charges. The other OPWC loans will be paid from income tax revenue.

The Ohio Water Development Authority (OWDA) Loans were used for the Village's water and sewer expansion. The OWDA loans will be repaid from income tax revenue.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017 are as follows:

Year Ending	OPWC Loans		OWDA Loans	
	<u>Principal</u>		<u>Principal</u>	<u>Interest</u>
December 31:				
2018	\$ 86,155	\$	816,923	\$ 85,362
2019	86,155		823,495	78,790
2020	86,155		830,248	72,037
2021	86,155		837,188	65,096
2022	86,155		844,321	57,964
2023-2027	207,355		4,335,701	175,722
2028-2029	-		760,822	13,012
Total	<u>\$ 638,130</u>	<u>\$</u>	<u>9,248,698</u>	<u>\$ 547,983</u>

Note 10 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of disbursements which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Note 11 – Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village of Middlefield did not contribute to NOPEC during 2017. Financial information can be obtained by contacting Chuck Keiper, Executive Director, at 31320 Solon Road, Suite 20 Solon, Ohio 44139 or on the website www.nopecinfo.org.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 12 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<i>2017 Fund Balances</i>	<u>General</u>	<u>Equipment Replacement</u>	<u>Utility Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>					
Unclaimed monies	\$ 3,079	\$ -	\$ -	\$ -	\$ 3,079
Total nonspendable	<u>3,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,079</u>
<u>Restricted for</u>					
Recreation center	-	-	-	5,034	5,034
Law enforcement	-	-	-	72,673	72,673
Street and highway repair	-	-	-	42,364	42,364
Cemetery	-	-	-	123,644	123,644
Ambulance levy	-	-	-	47,224	47,224
Sick leave	-	-	-	151,997	151,997
Endowment	-	-	-	2,071	2,071
Trust	-	-	-	593	593
Economic Development	-	-	-	20,199	20,199
Capital improvements	<u>-</u>	<u>283,462</u>	<u>358,393</u>	<u>119,605</u>	<u>761,460</u>
Total restricted	<u>-</u>	<u>283,462</u>	<u>358,393</u>	<u>585,404</u>	<u>1,227,259</u>
<u>Committed for</u>					
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,010</u>	<u>30,010</u>
<u>Assigned</u>					
Encumbrances	<u>3,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,467</u>
Total assigned	<u>3,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,467</u>
<u>Unassigned</u>					
	<u>1,091,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,091,771</u>
Total fund balances	<u>\$1,098,317</u>	<u>\$ 283,462</u>	<u>\$ 358,393</u>	<u>\$ 615,414</u>	<u>\$ 2,355,586</u>

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 13 – Interfund Transactions

The following is a reconciliation of the Village’s transfers:

	2017	
Fund	Transfers In	Transfers Out
General	\$ 85,000	\$ 213,000
Equipment replacement	135,735	-
Police levy	-	30,250
Street construction, maintenance and repair	16,835	-
State highway	22,501	-
Cemetery	18,000	-
Parks and recreation	75,000	-
Sidewalks	15,000	-
Sick leave	1,500	-
Subtotal Nonmajor Governmental Funds	148,836	30,250
Refuse revenue	13,500	-
Sewer capital improvements	15,720	-
New well capital improvements	12,429	-
Water revenue	-	125,250
Water emergency	530	-
Sewer revenue	-	43,250
Total Enterprise Funds	42,179	168,500
Total	\$ 411,750	\$ 411,750

Transfers are made from the general fund to subsidize operations of other funds. Transfers are also made from other funds to move money for the payment of debt and capital disbursements. Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Middlefield
Geauga County
14860 North State Avenue
Middlefield, Ohio 44062

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 30, 2019, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 30, 2019

Village of Middlefield, Ohio

Middlefield Means Business

VILLAGE OF MIDDLEFIELD GEAUGA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance Finding / Significant Deficiency – Cash Reconciliation: The initial December 31, 2016 and 2015 bank reconciliations did not agree to the accounting system due to various improperly recorded adjustments in the accounting system.	Fully Corrected	



This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MIDDLEFIELD

GEAUGA 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
NOVEMBER 26, 2019**