



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, 2022:</u>	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis.....	5
Statement of Activities – Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Cash Basis Governmental Funds	7
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds	8
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund	9
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis Income Tax Infrastructure Fund	10
Statement of Net Position – Cash Basis Proprietary Funds	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position Proprietary Funds	12
Notes to the Basic Financial Statements.....	13

VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY

TABLE OF CONTENTS (Continued)

TITLE	PAGE
Prepared by Management:	
<u>Basic Financial Statements – For the Year Ended December 31, 2021:</u>	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis.....	43
Statement of Activities – Cash Basis	44
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Cash Basis Governmental Funds	45
Statement of Cash Receipts, Disbursements and Changes in Fund Balances Governmental Funds	46
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund	47
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis Income Tax Infrastructure Fund	48
Statement of Net Position – Cash Basis Proprietary Funds	49
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position Proprietary Funds	50
Notes to the Basic Financial Statements.....	51
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	81
Summary Schedule of Prior Audit Findings	83

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

Village of Middlefield
Geauga County
14860 North State Avenue
P.O. Box 1019
Middlefield, Ohio 44062

To the Village Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2022 and 2021, and the respective changes in cash-basis financial position and the respective budgetary comparison for the General and Income Tax Infrastructure Funds for the years then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2024, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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

May 3, 2024

This page intentionally left blank.

Village of Middlefield

Geauga County

Statement of Net Position – Cash Basis

December 31, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,774,982	\$ 4,112,190	\$ 11,887,172
Total assets	<u>7,774,982</u>	<u>4,112,190</u>	<u>11,887,172</u>
Net position:			
Restricted for:			
Capital projects	745,739	-	745,739
Infrastructure	899,016	-	899,016
Unclaimed monies	6,420	-	6,420
Other purposes	1,734,504	-	1,734,504
Unrestricted	<u>4,389,303</u>	<u>4,112,190</u>	<u>8,501,493</u>
Total net position	<u>\$ 7,774,982</u>	<u>\$ 4,112,190</u>	<u>\$ 11,887,172</u>

Village of Middlefield

Geauga County

Statement of Activities – Cash Basis

For the Year Ended December 31, 2022

	Program Revenues		Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Governmental Activities	Business-Type Activities	Total
Governmental activities:					
Current:					
General government	\$ 1,041,095	\$ 134,750	\$ (906,345)	\$ -	\$ (906,345)
Security of persons and property	1,510,053	10,454	(1,499,599)	-	(1,499,599)
Public health services	57,599	31,608	(25,991)	-	(25,991)
Leisure time activities	213,707	54,255	(159,452)	-	(159,452)
Community development	122,173	-	(122,173)	-	(122,173)
Basic utilities	10,720	20,676	9,956	-	9,956
Transportation	464,865	-	(464,865)	-	(464,865)
Capital outlay	670,115	-	(670,115)	-	(670,115)
Debt service:					
Principal retirement	888,250	-	(888,250)	-	(888,250)
Interest and fiscal charges	60,994	-	(60,994)	-	(60,994)
Total governmental activities	<u>5,039,571</u>	<u>251,743</u>	<u>(4,787,828)</u>	<u>-</u>	<u>(4,787,828)</u>
Business-type activities:					
Water	519,129	790,982	-	271,853	271,853
Sewer	729,607	858,553	-	128,946	128,946
Other enterprise	163,959	162,819	-	(1,140)	(1,140)
Total business-type activities	<u>1,412,695</u>	<u>1,812,354</u>	<u>-</u>	<u>399,659</u>	<u>399,659</u>
Total	<u>\$ 6,452,266</u>	<u>\$ 2,064,097</u>	<u>(4,787,828)</u>	<u>399,659</u>	<u>(4,388,169)</u>
General receipts:					
Property taxes levied for:					
General purposes			306,274	-	306,274
Security of persons and property			316,251	-	316,251
Municipal income taxes			4,611,620	-	4,611,620
Grants and entitlements					
not restricted to specific programs			416,227	-	416,227
Earnings on investments			251,192	-	251,192
Miscellaneous			109,163	27,049	136,212
Total general receipts			<u>6,010,727</u>	<u>27,049</u>	<u>6,037,776</u>
Transfers			<u>144,551</u>	<u>(144,551)</u>	<u>-</u>
Total general receipts and transfers			<u>6,155,278</u>	<u>(117,502)</u>	<u>6,037,776</u>
Change in net position			1,367,450	282,157	1,649,607
Net position, beginning of year			<u>6,407,532</u>	<u>3,830,033</u>	<u>10,237,565</u>
Net position, end of year			<u>\$ 7,774,982</u>	<u>\$ 4,112,190</u>	<u>\$ 11,887,172</u>

Village of Middlefield

Geauga County

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2022

	<u>General</u>	<u>Income Tax Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,365,713	\$ 899,016	\$ 2,510,253	\$ 7,774,982
Total assets	<u>\$ 4,365,713</u>	<u>\$ 899,016</u>	<u>\$ 2,510,253</u>	<u>\$ 7,774,982</u>
Fund Balances				
Nonspendable	\$ 6,420	\$ -	\$ -	\$ 6,420
Restricted	-	899,016	2,480,243	3,379,259
Committed	-	-	30,010	30,010
Assigned	14,822	-	-	14,822
Unassigned	<u>4,344,471</u>	<u>-</u>	<u>-</u>	<u>4,344,471</u>
Total fund balances	<u>\$ 4,365,713</u>	<u>\$ 899,016</u>	<u>\$ 2,510,253</u>	<u>\$ 7,774,982</u>

Village of Middlefield

Geauga County

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

For the Year Ended December 31, 2022

	General	Income Tax Infrastructure	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and other local taxes	\$ 306,274	\$ -	\$ 316,251	\$ 622,525
Municipal income taxes	3,687,592	924,028	-	4,611,620
Charges for services	43,311	-	92,599	135,910
Fines, licenses and permits	115,833	-	-	115,833
Intergovernmental	60,791	28,400	327,036	416,227
Earnings on investments	251,192	-	-	251,192
Miscellaneous	77,395	-	31,768	109,163
Total receipts	<u>4,542,388</u>	<u>952,428</u>	<u>767,654</u>	<u>6,262,470</u>
Disbursements:				
Current:				
General government	824,000	106,994	110,101	1,041,095
Security of persons and property	1,179,182	-	330,871	1,510,053
Public health services	-	-	57,599	57,599
Leisure time activities	119,093	-	94,614	213,707
Community development	84,053	-	38,120	122,173
Basic utilities	-	-	10,720	10,720
Transportation	84,370	161,277	219,218	464,865
Capital outlay	42,019	424,423	203,673	670,115
Debt service:				
Principal retirement	874,990	-	13,260	888,250
Interest and fiscal charges	57,964	-	3,030	60,994
Total disbursements	<u>3,265,671</u>	<u>692,694</u>	<u>1,081,206</u>	<u>5,039,571</u>
Excess of receipts over (under) disbursements	<u>1,276,717</u>	<u>259,734</u>	<u>(313,552)</u>	<u>1,222,899</u>
Other financing sources (uses):				
Transfers in	-	-	427,219	427,219
Transfers out	(247,418)	-	(35,250)	(282,668)
Total other financing sources (uses)	<u>(247,418)</u>	<u>-</u>	<u>391,969</u>	<u>144,551</u>
Net change in fund balances	1,029,299	259,734	78,417	1,367,450
Fund balances, beginning of year	<u>3,336,414</u>	<u>639,282</u>	<u>2,431,836</u>	<u>6,407,532</u>
Fund balances, end of year	<u>\$ 4,365,713</u>	<u>\$ 899,016</u>	<u>\$ 2,510,253</u>	<u>\$ 7,774,982</u>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts:				
Property and other local taxes	\$ 276,690	\$ 276,690	\$ 306,274	\$ 29,584
Municipal income taxes	2,625,336	3,254,419	3,687,592	433,173
Intergovernmental	43,279	53,650	60,791	7,141
Charges for services	30,835	38,223	43,311	5,088
Fines, licenses and permits	82,466	102,226	115,833	13,607
Earnings on investments	98,021	121,509	137,682	16,173
Miscellaneous	55,100	68,304	77,395	9,091
Total receipts	<u>3,211,727</u>	<u>3,915,021</u>	<u>4,428,878</u>	<u>513,857</u>
Disbursements:				
Current:				
General government	822,100	872,078	832,672	39,406
Security of persons and property	1,164,211	1,234,987	1,179,182	55,805
Leisure time activities	120,493	127,819	122,043	5,776
Community development	82,986	88,031	84,053	3,978
Transportation	83,644	88,729	84,720	4,009
Capital outlay	44,299	46,992	44,869	2,123
Debt service:				
Principal retirement	863,881	916,399	874,990	41,409
Interest and fiscal charges	57,228	60,707	57,964	2,743
Total disbursements	<u>3,238,842</u>	<u>3,435,742</u>	<u>3,280,493</u>	<u>155,249</u>
Excess of receipts over (under) disbursements	(27,115)	479,279	1,148,385	669,106
Other financing uses:				
Transfers out	<u>(244,277)</u>	<u>(259,127)</u>	<u>(247,418)</u>	<u>11,709</u>
Net change in fund balance	(271,392)	220,152	900,967	680,815
Fund balance, beginning of year	3,273,892	3,273,892	3,273,892	-
Prior year encumbrances appropriated	<u>62,521</u>	<u>62,521</u>	<u>62,521</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,065,021</u>	<u>\$ 3,556,565</u>	<u>\$ 4,237,380</u>	<u>\$ 680,815</u>

Village of Middlefield

Geauga County

Statement of Receipts, Disbursements, and Changes in Fund Balance –

Budget and Actual – Budget Basis

Income Tax Infrastructure Fund

For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts:				
Municipal income taxes	\$ 750,000	\$ 838,000	\$ 924,028	\$ 86,028
Intergovernmental	-	-	28,400	28,400
Total receipts	<u>750,000</u>	<u>838,000</u>	<u>952,428</u>	<u>114,428</u>
Disbursements:				
Current:				
General government	122,627	238,988	161,277	77,711
Transportation	82,873	161,512	108,994	52,518
Capital outlay	<u>575,000</u>	<u>575,000</u>	<u>449,023</u>	<u>125,977</u>
Total disbursements	<u>780,500</u>	<u>975,500</u>	<u>719,294</u>	<u>256,206</u>
Net change in fund balance	(30,500)	(137,500)	233,134	370,634
Fund balance, beginning of year	427,948	427,948	427,948	-
Prior year encumbrances appropriated	<u>211,334</u>	<u>211,334</u>	<u>211,334</u>	-
Fund balance, end of year	<u>\$ 608,782</u>	<u>\$ 501,782</u>	<u>\$ 872,416</u>	<u>\$ 370,634</u>

Village of Middlefield

Geauga County

Statement of Fund Net Position – Cash Basis

Proprietary Funds

December 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ <u>1,799,197</u>	\$ <u>1,124,264</u>	\$ <u>598,397</u>	\$ <u>590,332</u>	\$ <u>4,112,190</u>
Total assets	<u>1,799,197</u>	<u>1,124,264</u>	<u>598,397</u>	<u>590,332</u>	<u>4,112,190</u>
Net position:					
Unrestricted	<u>1,799,197</u>	<u>1,124,264</u>	<u>598,397</u>	<u>590,332</u>	<u>4,112,190</u>
Total net position	\$ <u><u>1,799,197</u></u>	\$ <u><u>1,124,264</u></u>	\$ <u><u>598,397</u></u>	\$ <u><u>590,332</u></u>	\$ <u><u>4,112,190</u></u>

Village of Middlefield

Geauga County

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

For the Year Ended December 31, 2022

	Water	Sewer	Sewer Capital Improvement	Other Enterprise Funds	Total Enterprise Funds
Operating receipts:					
Charges for services	\$ 790,982	\$ 858,553	\$ -	\$ 162,819	\$ 1,812,354
Miscellaneous	14,376	12,343	-	330	27,049
Total operating receipts	<u>805,358</u>	<u>870,896</u>	<u>-</u>	<u>163,149</u>	<u>1,839,403</u>
Operating disbursements:					
Personal services	223,053	284,770	-	16	507,839
Contractual services	152,178	290,951	-	163,943	607,072
Materials and supplies	102,593	114,448	-	-	217,041
Capital outlay	8,474	6,607	-	-	15,081
Total operating disbursements	<u>486,298</u>	<u>696,776</u>	<u>-</u>	<u>163,959</u>	<u>1,347,033</u>
Operating income (loss)	<u>319,060</u>	<u>174,120</u>	<u>-</u>	<u>(810)</u>	<u>492,370</u>
Non-operating disbursements:					
Principal retirement	(28,952)	(28,952)	-	-	(57,904)
Interest and fiscal charges	(3,879)	(3,879)	-	-	(7,758)
Total non-operating disbursements	<u>(32,831)</u>	<u>(32,831)</u>	<u>-</u>	<u>-</u>	<u>(65,662)</u>
Income (loss) before transfers	<u>286,229</u>	<u>141,289</u>	<u>-</u>	<u>(810)</u>	<u>426,708</u>
Transfers:					
Transfers in	-	-	24,555	70,446	95,001
Transfers out	(124,463)	(115,089)	-	-	(239,552)
Total transfers	<u>(124,463)</u>	<u>(115,089)</u>	<u>24,555</u>	<u>70,446</u>	<u>(144,551)</u>
Change in net position	161,766	26,200	24,555	69,636	282,157
Net position, beginning of year	<u>1,637,431</u>	<u>1,098,064</u>	<u>573,842</u>	<u>520,696</u>	<u>3,830,033</u>
Net position, end of year	<u>\$ 1,799,197</u>	<u>\$ 1,124,264</u>	<u>\$ 598,397</u>	<u>\$ 590,332</u>	<u>\$ 4,112,190</u>

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 and fire services. Council has direct responsibility for these services.

Jointly Governed Organization

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

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.

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 program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental 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. The Village has no fiduciary funds.

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:

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

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 and unclaimed funds are presented as a part of the general fund in the financial statements. All intrafund 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.

Income Tax Infrastructure Fund The income tax infrastructure fund is used to account for and report monies from municipal income taxes for the purposes of capital improvements.

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

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. 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.

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. Any such modifications made by the Village are described in the appropriate section in this note.

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, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Budgetary Process

All funds, except custodial 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 statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by 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".

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 2022, the Village invested in federal agency securities, 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, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Cash and Investments (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 2022, 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 for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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 2022 was \$251,192.

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. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

Inventory and Prepaid Items

The Village reports disbursements for inventory 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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

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.

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 8 and 9, the employer contributions include portions for pension benefits and for other postretirement benefits (OPEB).

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 (including the intangible right to use) when entering into a lease or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments and financed purchase payments are reported when paid.

Leases

For 2022, GASB Statement No. 87, Leases was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The Village is the lessee (as defined by GASB 87) in a lease related to copier equipment under a noncancelable lease. Lease payables are not reflected under the Village's cash basis of accounting. Lease disbursements are recognized when they are 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. Net position restricted for other purposes include resources restricted for street and highway repair, cemetery, ambulance levy, sick leave, police, economic development, capital improvements, and local covid relief.

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the amounts for unclaimed monies.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

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

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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 expenditures 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.

Estimates

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

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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and income tax infrastructure fund are 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:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (*modified* cash basis).
2. Unreported interest is reported on the statement of modified receipts, disbursements, and changes in fund balances (cash basis), but not on the budgetary basis.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 3: Budgetary Basis of Accounting (continued)

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis at December 31, 2022 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Income Tax Infrastructure</u>
Cash basis	\$ 1,029,299	\$ 259,734
Adjustment due to:		
Unreported interest	(113,510)	-
Outstanding encumbrances	<u>(14,822)</u>	<u>(26,600)</u>
Budgetary basis	\$ <u>900,967</u>	\$ <u>233,134</u>

Note 4: Deposits and Investments

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

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

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

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

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 4: Deposits and Investments (continued)

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);
7. Certain bankers' acceptances (for a period not to exceed 180 days) and commercial paper notes (for a period not to exceed 270 days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 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. Except as noted above, 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 Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 4: Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2022, the Village had a book balance of \$6,659,833. Of the Village's bank balance of \$6,778,631, \$858,424 was uninsured and uncollateralized. All of the Village's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and one of the institutions were approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

The Village follows the requirements of State statute for custodial credit risk. Ohio law requires that deposits be either insured or protected by:

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

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

Investments

The fair value of these investments is not materially different from measurement value. As of December 31, 2022, the Village had the following investments:

	Fair Value	Investment Maturities	
		Less than 1	> 1 year
Star Ohio	\$ 59,844	\$ 59,844	\$ -
CDARs	85	85	-
Federal National Mortgage Association	399,780	-	399,780
Federal Home Loan Bank	891,693	-	891,693
Federal Home Loan Mortgage Corporation	469,975	-	469,975
Federal Farm Credit Bank	750,992	-	750,992
Government National Mortgage Association	1,188,155	-	1,188,155
Negotiable Certificates of Deposit	<u>1,466,815</u>	<u>172,000</u>	<u>1,294,815</u>
Total Portfolio	\$ <u>5,227,339</u>	\$ <u>231,929</u>	\$ <u>4,995,410</u>

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 4: Deposits and Investments (continued)

Investments (continued)

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring 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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk STAR Ohio carries a rating of AAAm by Standard and Poor's. The CDARs and certificates of deposit are not rated. The federal securities carry a rating of AA+ by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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 investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee".

Concentration of Credit Risk The Village places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2022:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal National Mortgage Association	8%
Federal Home Loan Bank	17%
Federal Home Loan Mortgage Corporation	9%
Federal Farm Credit Bank	14%
Government National Mortgage Association	23%
Negotiable Certificates of Deposit	28%

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

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. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2022, was \$6.45 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2022 property tax receipts were based are as follows:

	<u>2022</u>
Real property:	
Residential/agricultural	\$ 48,869,730
Other	49,371,910
Tangible personal property:	
Public utility	<u>2,954,160</u>
Total assessed value	\$ <u>101,195,800</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 1.25% income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.25% 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 2022, the receipts were allocated to the general fund and the income tax infrastructure fund.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 5: Taxes (continued)

Tax Abatements

As of December 31, 2022, the Village provides tax incentives under the Community Reinvestment Area (CRA) program.

Pursuant to Ohio Revised Code 3735, the Village established a CRA. The Village authorizes incentives through the passage of ordinances. The abatement equals an agreed-upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 100% of the increase in the assessed value resulting from the improvements. The amount of the abatement is deducted from the recipient's property tax bill.

For the year ended December 31, 2022, the Village abated property taxes totaling \$11,658 under this program.

Note 6: Interfund Transactions

Transfers

During 2022, the following transfers were made:

Transfer in	Transfer out				Total
	General Fund	Other Governmental Funds	Water	Sewer	
<i>Governmental:</i>					
Other Governmental Funds	\$ 217,417	\$ 35,250	\$ 74,463	\$ 100,089	\$ 427,219
<i>Business-Type:</i>					
Sewer Capital Improvement Fund	9,555	-	-	15,000	24,555
Other Enterprise Funds	20,446	-	50,000	-	70,446
Total Business-Type	30,001	-	50,000	15,000	95,001
Total	\$ 247,418	\$ 35,250	\$ 124,463	\$ 115,089	\$ 522,220

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.

The above mentioned transfers from/to were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the other governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated projects.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 7: Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2022, the Village contracted with several companies for various types of insurance as follows:

- 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.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8: Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which 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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

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 Annual Comprehensive Financial Report 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
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). 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 on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3%. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3%.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

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% 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 annuitization of their benefit (which includes joint and survivor options and will continue to be administered by OPERS), 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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the combined plan is no longer available for member selection.

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

	<u>State and Local</u>
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries.

The portion of the employer's contribution allocated to health care was 0% for 2022 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to healthcare was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The portion of the employer contributions allocated to health care for members in the member directed plan was 4% for 2022.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

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

For 2022, the Village's contractually required pension contributions were \$115,642 for the traditional plan and \$3,205 for the member-directed plan.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – Village full-time police participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that 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.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F 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% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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 under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 8: Defined Benefit Pension Plans (continued)

Ohio Police & Fire Pension Fund (OP&F) (continued)

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	<u>Police</u>
2022 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2022 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required pension contribution to OP&F was \$153,402 for 2022.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 9: 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 postemployment 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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51% and 90% of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75% of the base allowance.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 9: Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report 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. When funding is approved by OPERS Board of Trustees, 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 2022, state and local employers contributed at a rate of 14% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of the employer's contribution allocated to health care was 0% for 2022 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to healthcare was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The portion of the employer contributions allocated to health care for members in the member directed plan was 4% for 2022.

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 9: Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required OPEB contribution was \$1,282 for 2022.

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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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.

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 9: Postemployment Benefits (continued)

Ohio Police and Fire Pension Fund (continued)

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% of covered payroll for police employer units. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 % of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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.

The Village's contractually required OPEB contribution to OP&F was \$4,037 for 2022.

Note 10: Debt

The original issue date, interest rates, and original issuance amount for each of the Village's long-term debt is as follows:

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Issuance</u>
Ohio Water Department Authority Loans:			
Water Pollution Control	2006	0.00%	\$ 11,591,837
Drinking Water	2007	2.75%	4,938,775
Fresh Water	2017	2.75%	126,334
Fresh Water	2018	3.02%	266,745
Ohio Public Works Commission Loans:			
South Springdale Avenue	2016	0.00%	46,285
Waterline Looping & Replacement	2000	0.00%	160,706
Sperry Lane Reconstruction	2011	0.00%	781,200

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 10: Debt (continued)

The Village's long-term debt activity for the year ended December 31, 2022 was as follows:

	Outstanding 12/31/2021	Debt Proceeds	Principal Paid	Outstanding 12/31/2022	Due Within One Year
Governmental Activities:					
<i>Ohio Water Department Authority Loans</i> *:					
Water Pollution Control	\$ 3,767,347	\$ -	\$ 579,592	\$ 3,187,755	\$ 579,590
Drinking Water	2,173,497	-	264,729	1,908,768	272,059
Fresh Water	111,491	-	5,224	106,267	5,369
Total Ohio Water Department Authority	<u>6,052,335</u>	<u>-</u>	<u>849,545</u>	<u>5,202,790</u>	<u>857,018</u>
<i>Ohio Public Works Commission Loans</i> *:					
South Springdale Avenue	39,342	-	4,629	34,713	4,628
Waterline Looping & Replacement	24,106	-	8,036	16,070	8,035
Sperry Lane Reconstruction	104,160	-	26,040	78,120	26,040
Total Ohio Public Works Commission	<u>167,608</u>	<u>-</u>	<u>38,705</u>	<u>128,903</u>	<u>38,703</u>
Total Governmental Activities	<u>6,219,943</u>	<u>-</u>	<u>888,250</u>	<u>5,331,693</u>	<u>895,721</u>
Business-Type Activities:					
<i>Ohio Water Department Authority Loans</i> *:					
Fresh Water	258,330	-	5,824	252,506	6,001
<i>Ohio Public Works Commission Loans</i> *:					
Sperry Lane Reconstruction	208,320	-	52,080	156,240	52,080
Total Business-Type Activities	<u>466,650</u>	<u>-</u>	<u>57,904</u>	<u>408,746</u>	<u>58,081</u>
Total Village	<u>\$ 6,686,593</u>	<u>\$ -</u>	<u>\$ 946,154</u>	<u>\$ 5,740,439</u>	<u>\$ 953,802</u>

* Long-term obligation is a direct placement.

The Village has pledged future receipts to repay the Ohio Water Development Authority (OWDA) loans in the Village governmental and business-type funds. The OWDA loans relate to the Village's water and sewer expansion projects. These loans carry interest rates ranging from 0.00% to 3.02%.

The outstanding OWDA loans contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1% on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the Village shall continue to pay an additional late charge of 1% on the amount of the default until such charges are paid.

The Village has pledged future receipts to repay the Ohio Public Works Commission (OPWC) loans in the Village governmental and business-type funds. The OPWC loans relate to the Village's water treatment and sewer treatment systems. These loans are interest free.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 10: Debt (continued)

The South Springdale Avenue OPWC loan was for \$46,285 and will be repaid in semiannual installments of \$2,314 over 10 years. The Waterline Looping & Replacement OPWC loan was for \$160,706 and will be repaid in semiannual installments of \$4,018 over 20 years. The Sperry Lane Reconstruction OPWC loan was for \$781,200 and will be repaid in semiannual installments of \$39,060 over 10 years.

The Village's outstanding OPWC loans from direct borrowings contain provisions that in the event of default (1) OPWC may apply late fees of 8% per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the Village's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2022 are as follows:

Year	OWDA Loans		OPWC	Total	
	Principal	Interest	Loans Principal	Principal	Interest
2023	\$ 863,019	\$ 61,100	\$ 90,783	\$ 953,802	\$ 61,100
2024	870,883	53,235	90,783	961,666	53,235
2025	878,966	45,153	82,748	961,714	45,153
2026	887,273	36,846	4,628	891,901	36,846
2027	895,811	28,308	4,628	900,439	28,308
2028-2032	830,402	52,627	11,573	841,975	52,627
2033-2037	80,316	28,865	-	80,316	28,865
2038-2042	58,082	18,084	-	58,082	18,084
2043-2047	58,076	9,834	-	58,076	9,834
2048-2050	32,468	1,485	-	32,468	1,485
Total	\$ <u>5,455,296</u>	\$ <u>335,537</u>	\$ <u>285,143</u>	\$ <u>5,740,439</u>	\$ <u>335,537</u>

Lease

The Village leases equipment under a non-cancelable lease. The Village disbursed \$1,917 to pay lease costs for the year ended December 31, 2022. Lease payments are made out of the general fund. The following is a schedule of the future minimum lease payments, including interest, required under the leases:

Year	Lease
2023	\$ 2,875
2024	2,875
2025	2,875
2026	2,875
2027	958
Total	\$ <u>12,458</u>

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 11: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of these proceedings, Village's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Village's financial position.

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

Note 12: Jointly Governed Organization

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 ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in over 240 communities who have been authorized by ballot to purchase energy on behalf of their citizens.

The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 community then elect one person to serve on the 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 did not contribute to NOPEC during 2022. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #33, Solon, Ohio 44139.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 13: 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:

	<u>General</u>	<u>Income Tax Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Unclaimed monies	\$ <u>6,420</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,420</u>
Restricted:				
Recreation center	-	-	50,398	50,398
Street and highway repair	-	-	214,058	214,058
Cemetery	-	-	182,899	182,899
Ambulance levy	-	-	241,839	241,839
Sick leave	-	-	159,497	159,497
Endowment	-	-	2,074	2,074
Trust	-	-	594	594
Police	-	-	179,746	179,746
Economic development	-	-	133,959	133,959
Transmission	-	-	7,268	7,268
Local COVID Relief	-	-	89,289	89,289
One Ohio Opioid	-	-	4,217	4,217
Capital improvements	<u>-</u>	<u>899,016</u>	<u>1,214,405</u>	<u>2,113,421</u>
Total restricted	<u>-</u>	<u>899,016</u>	<u>2,480,243</u>	<u>3,379,259</u>
Committed:				
Capital improvements	<u>-</u>	<u>-</u>	<u>30,010</u>	<u>30,010</u>
Assigned:				
Encumbrances	<u>14,822</u>	<u>-</u>	<u>-</u>	<u>14,822</u>
Unassigned	<u>4,344,471</u>	<u>-</u>	<u>-</u>	<u>4,344,471</u>
Total fund balances, December 31, 2022	\$ <u>4,365,713</u>	\$ <u>899,016</u>	\$ <u>2,510,253</u>	\$ <u>7,774,982</u>

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 14: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. This statement was incorporated into the Village's financial statements and disclosures.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. This statement clarifies the accounting and financial reporting surrounding public-private and public-public partnerships and availability payment arrangements. The effective date of this standard to reporting periods beginning after June 15, 2022. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The effective date of this standard to reporting periods beginning after June 15, 2022. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 15: Contractual Commitments

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Village has the following AROs.

Ohio Revised Code Section 6111.44 requires the Village to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the Village would be responsible to address any public safety issues associated with their waste water treatment facilities. The Village is legally obligated to treat wastewater to State and Federal standards that is generated from its facility planning area. In order to retire the current wastewater treatment plant the Village would have to remove residual wastewater, sludge and other solids to another wastewater plant, remove treatment and laboratory chemicals and decontaminate equipment.

Ohio Administrative Code Section 3745-9-10 requires wells not being used to obtain water or provide information on quantity or quality be sealed. The Village has wells that would be required to be filled and capped. This would require concrete to fill the well casing, removal of the pumps and upper portion of the casing to a below elevation grade along with welding plate to seal the casing after it was filled.

These items are not reflected as liabilities in the accompanying financial statements.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Note 16: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

During 2022, the Village received \$141,978 as an on-behalf of grant from the State of Ohio. These amounts are recorded in the local fiscal recovery special revenue fund.

This page intentionally left blank.

Village of Middlefield

Geauga County

Statement of Net Position – Cash Basis

December 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 6,407,532	\$ 3,830,033	\$ 10,237,565
Total assets	<u>\$ 6,407,532</u>	<u>\$ 3,830,033</u>	<u>\$ 10,237,565</u>
Net position:			
Restricted for:			
Capital projects	\$ 657,380	\$ -	\$ 657,380
Infrastructure	639,282	-	639,282
Unclaimed monies	5,086	-	5,086
Other purposes	1,744,446	-	1,744,446
Unrestricted	<u>3,361,338</u>	<u>3,830,033</u>	<u>7,191,371</u>
Total net position	<u>\$ 6,407,532</u>	<u>\$ 3,830,033</u>	<u>\$ 10,237,565</u>

Village of Middlefield

Geauga County

Statement of Activities – Cash Basis

For the Year Ended December 31, 2021

	Cash Disbursements	Program	Net (Disbursements) Receipts and Changes in Net Position		
		Revenues	Governmental Activities	Business-Type Activities	Total
		Charges for Services			
Governmental activities:					
Current:					
General government	\$ 810,975	\$ 69,993	\$ (740,982)	\$ -	\$ (740,982)
Security of persons and property	1,293,524	14,114	(1,279,410)	-	(1,279,410)
Public health services	127,364	42,388	(84,976)	-	(84,976)
Leisure time activities	196,127	44,965	(151,162)	-	(151,162)
Community development	188,203	-	(188,203)	-	(188,203)
Basic utilities	10,720	66,872	56,152	-	56,152
Transportation	297,463	-	(297,463)	-	(297,463)
Capital outlay	448,109	-	(448,109)	-	(448,109)
Debt service:					
Principal retirement	880,975	-	(880,975)	-	(880,975)
Interest and fiscal charges	68,267	-	(68,267)	-	(68,267)
Total governmental activities	<u>4,321,727</u>	<u>238,332</u>	<u>(4,083,395)</u>	<u>-</u>	<u>(4,083,395)</u>
Business-type activities:					
Water	434,552	817,347	-	382,795	382,795
Sewer	676,321	885,116	-	208,795	208,795
Other enterprise	165,357	168,039	-	2,682	2,682
Total business-type activities	<u>1,276,230</u>	<u>1,870,502</u>	<u>-</u>	<u>594,272</u>	<u>594,272</u>
Total	<u>\$ 5,597,957</u>	<u>\$ 2,108,834</u>	<u>(4,083,395)</u>	<u>594,272</u>	<u>(3,489,123)</u>
General receipts:					
Property taxes levied for:					
General purposes			273,009	-	273,009
Security of persons and property			287,805	-	287,805
Municipal income taxes			4,364,858	-	4,364,858
Grants and entitlements					
not restricted to specific programs			379,485	-	379,485
Sale of capital assets			14,623	-	14,623
Earnings on investments			81,286	-	81,286
Miscellaneous			185,184	10,634	195,818
Total general receipts			<u>5,586,250</u>	<u>10,634</u>	<u>5,596,884</u>
Transfers			154,974	(154,974)	-
Total general receipts and transfers			<u>5,741,224</u>	<u>(144,340)</u>	<u>5,596,884</u>
Change in net position			1,657,829	449,932	2,107,761
Net position, beginning of year			<u>4,749,703</u>	<u>3,380,101</u>	<u>8,129,804</u>
Net position, end of year			<u>\$ 6,407,532</u>	<u>\$ 3,830,033</u>	<u>\$ 10,237,565</u>

Village of Middlefield

Geauga County

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2021

	<u>General</u>	<u>Income Tax Infrastructure</u>	<u>Equipment Replacement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,336,414	\$ 639,282	\$ 657,380	\$ 1,774,456	\$ 6,407,532
Total assets	<u>\$ 3,336,414</u>	<u>\$ 639,282</u>	<u>\$ 657,380</u>	<u>\$ 1,774,456</u>	<u>\$ 6,407,532</u>
Fund balances:					
Nonspendable	\$ 5,086	\$ -	\$ -	\$ -	\$ 5,086
Restricted	-	639,282	657,380	1,744,446	3,041,108
Committed	-	-	-	30,010	30,010
Assigned	62,522	-	-	-	62,522
Unassigned	<u>3,268,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,268,806</u>
Total fund balances	<u>\$ 3,336,414</u>	<u>\$ 639,282</u>	<u>\$ 657,380</u>	<u>\$ 1,774,456</u>	<u>\$ 6,407,532</u>

Village of Middlefield

Geauga County

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

For the Year Ended December 31, 2021

	General	Income Tax Infrastructure	Equipment Replacement Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and other local taxes	\$ 273,009	\$ -	\$ -	\$ 287,805	\$ 560,814
Municipal income taxes	3,489,575	875,283	-	-	4,364,858
Charges for services	56,319	-	-	141,300	197,619
Fines, licenses and permits	40,653	-	-	60	40,713
Intergovernmental	54,050	-	-	325,435	379,485
Earnings on investments	81,286	-	-	-	81,286
Miscellaneous	90,763	-	-	94,421	185,184
Total receipts	<u>4,085,655</u>	<u>875,283</u>	<u>-</u>	<u>849,021</u>	<u>5,809,959</u>
Disbursements:					
Current:					
General government	766,907	38,267	-	5,801	810,975
Security of persons and property	1,080,063	-	-	213,461	1,293,524
Public health services	-	-	-	127,364	127,364
Leisure time activities	112,772	-	-	83,355	196,127
Community development	71,396	-	-	116,807	188,203
Basic utilities	-	-	-	10,720	10,720
Transportation	71,105	73,509	-	152,849	297,463
Capital outlay	54,352	253,548	87,245	52,964	448,109
Debt service:					
Principal retirement	867,857	-	-	13,118	880,975
Interest and fiscal charges	65,096	-	-	3,171	68,267
Total disbursements	<u>3,089,548</u>	<u>365,324</u>	<u>87,245</u>	<u>779,610</u>	<u>4,321,727</u>
Excess of receipts over (under) disbursements	<u>996,107</u>	<u>509,959</u>	<u>(87,245)</u>	<u>69,411</u>	<u>1,488,232</u>
Other financing sources (uses):					
Transfers in	-	-	230,293	149,015	379,308
Advances in	200,000	-	-	-	200,000
Sale of capital assets	14,623	-	-	-	14,623
Advances out	-	(200,000)	-	-	(200,000)
Transfers out	(189,084)	-	-	(35,250)	(224,334)
Total other financing sources (uses)	<u>25,539</u>	<u>(200,000)</u>	<u>230,293</u>	<u>113,765</u>	<u>169,597</u>
Net change in fund balances	1,021,646	309,959	143,048	183,176	1,657,829
Fund balances, beginning of year	<u>2,314,768</u>	<u>329,323</u>	<u>514,332</u>	<u>1,591,280</u>	<u>4,749,703</u>
Fund balances, end of year	<u>\$ 3,336,414</u>	<u>\$ 639,282</u>	<u>\$ 657,380</u>	<u>\$ 1,774,456</u>	<u>\$ 6,407,532</u>

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, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property and other local taxes	\$ 262,005	\$ 262,005	\$ 273,009	\$ 11,004
Municipal income taxes	2,450,913	3,014,923	3,489,575	474,652
Intergovernmental	37,962	46,698	54,050	7,352
Charges for services	39,556	48,658	56,319	7,661
Fines, licenses and permits	28,553	35,123	40,653	5,530
Earnings on investments	57,091	70,229	81,286	11,057
Miscellaneous	63,748	78,417	90,763	12,346
Total receipts	<u>2,939,828</u>	<u>3,556,053</u>	<u>4,085,655</u>	<u>529,602</u>
Disbursements:				
Current:				
General government	831,652	862,450	821,780	40,670
Security of persons and property	1,093,037	1,133,516	1,080,063	53,453
Leisure time activities	114,234	118,464	112,878	5,586
Community development	72,254	74,929	71,396	3,533
Transportation	72,104	74,774	71,248	3,526
Capital outlay	62,494	64,808	61,752	3,056
Debt service:				
Principal retirement	878,282	910,807	867,857	42,950
Interest and fiscal charges	65,878	68,318	65,096	3,222
Total disbursements	<u>3,189,935</u>	<u>3,308,066</u>	<u>3,152,070</u>	<u>155,996</u>
Excess of receipts over (under) disbursements	<u>(250,107)</u>	<u>247,987</u>	<u>933,585</u>	<u>685,598</u>
Other financing sources and uses:				
Advances in	140,471	172,796	200,000	27,204
Sale of capital assets	10,271	12,634	14,623	1,989
Transfers out	(191,355)	(198,442)	(189,084)	9,358
Total other financing uses	<u>(40,613)</u>	<u>(13,012)</u>	<u>25,539</u>	<u>38,551</u>
Net change in fund balance	(290,720)	234,975	959,124	724,149
Fund balance, beginning of year	2,302,112	2,302,112	2,302,112	-
Prior year encumbrances appropriated	<u>12,656</u>	<u>12,656</u>	<u>12,656</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,024,048</u>	<u>\$ 2,549,743</u>	<u>\$ 3,273,892</u>	<u>\$ 724,149</u>

Village of Middlefield

Geauga County

Statement of Receipts, Disbursements, and Changes in Fund Balance –

Budget and Actual – Budget Basis

Income Tax Infrastructure Fund

For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Receipts:				
Municipal income taxes	\$ 650,000	\$ 800,000	\$ 875,283	\$ 75,283
Disbursements:				
Current:				
General government	36,013	63,660	46,867	16,793
Transportation	62,987	111,340	81,969	29,371
Capital outlay	525,000	525,000	447,822	77,178
Total disbursements	624,000	700,000	576,658	123,342
Excess of receipts over disbursements	26,000	100,000	298,625	198,625
Other financing uses:				
Advances out	-	(200,000)	(200,000)	-
Net change in fund balance	26,000	(100,000)	98,625	198,625
Fund balance, beginning of year	227,121	227,121	227,121	-
Prior year encumbrances appropriated	102,202	102,202	102,202	-
Fund balance, end of year	\$ 355,323	\$ 229,323	\$ 427,948	\$ 198,625

Village of Middlefield

Geauga County

Statement of Fund Net Position – Cash Basis

Proprietary Funds

December 31, 2021

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Sewer Capital Improvement	Other Enterprise Funds	
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,637,431	\$ 1,098,064	\$ 573,842	\$ 520,696	\$ 3,830,033
Total assets	<u>1,637,431</u>	<u>1,098,064</u>	<u>573,842</u>	<u>520,696</u>	<u>3,830,033</u>
Net position:					
Unrestricted	1,637,431	1,098,064	573,842	520,696	3,830,033
Total net position	<u>\$ 1,637,431</u>	<u>\$ 1,098,064</u>	<u>\$ 573,842</u>	<u>\$ 520,696</u>	<u>\$ 3,830,033</u>

Village of Middlefield

Geauga County

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

For the Year Ended December 31, 2021

	Business-Type Activities				
	Water	Sewer	Sewer Capital Improvement	Other Enterprise Funds	Total Enterprise Funds
Operating receipts:					
Charges for services	\$ 817,347	\$ 885,116	\$ -	\$ 168,039	\$ 1,870,502
Miscellaneous	5,479	5,155	-	-	10,634
Total operating receipts	<u>822,826</u>	<u>890,271</u>	<u>-</u>	<u>168,039</u>	<u>1,881,136</u>
Operating disbursements:					
Personal services	167,522	239,958	-	-	407,480
Contractual services	169,096	302,778	-	165,284	637,158
Materials and supplies	59,320	91,186	-	73	150,579
Capital outlay	5,783	9,568	-	-	15,351
Total operating disbursements	<u>401,721</u>	<u>643,490</u>	<u>-</u>	<u>165,357</u>	<u>1,210,568</u>
Operating income	<u>421,105</u>	<u>246,781</u>	<u>-</u>	<u>2,682</u>	<u>670,568</u>
Non-operating disbursements:					
Principal retirement	(28,866)	(28,866)	-	-	(57,732)
Interest and fiscal charges	(3,965)	(3,965)	-	-	(7,930)
Total non-operating disbursements	<u>(32,831)</u>	<u>(32,831)</u>	<u>-</u>	<u>-</u>	<u>(65,662)</u>
Income before transfers	<u>388,274</u>	<u>213,950</u>	<u>-</u>	<u>2,682</u>	<u>604,906</u>
Transfers:					
Transfers out	(84,463)	(115,089)	-	-	(199,552)
Transfers in	-	-	19,379	25,199	44,578
Total transfers	<u>(84,463)</u>	<u>(115,089)</u>	<u>19,379</u>	<u>25,199</u>	<u>(154,974)</u>
Change in net position	303,811	98,861	19,379	27,881	449,932
Net position, beginning of year	<u>1,333,620</u>	<u>999,203</u>	<u>554,463</u>	<u>492,815</u>	<u>3,380,101</u>
Net position, end of year	<u>\$ 1,637,431</u>	<u>\$ 1,098,064</u>	<u>\$ 573,842</u>	<u>\$ 520,696</u>	<u>\$ 3,830,033</u>

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

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 and fire services. Council has direct responsibility for these services.

Jointly Governed Organization

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

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.

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

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

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 and unclaimed funds are 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.

Income Tax Infrastructure Fund The income tax infrastructure fund is used to account for and report monies from municipal income taxes for the purposes of capital improvements.

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

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

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. 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.

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. Any such modifications made by the Village are described in the appropriate section in this note.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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.

Budgetary Process

All funds, except custodial 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 statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by 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".

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Cash and Investments (continued)

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 2021, the Village invested in federal agency securities, certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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 2021, 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 \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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 2021 was \$81,286.

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. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

Inventory and Prepaid Items

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

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

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.

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 8 and 9, the employer contributions include portions for pension benefits and for other postretirement benefits (OPEB).

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. Net position restricted for other purposes include resources restricted for street and highway repair, cemetery, ambulance levy, sick leave, police, economic development, capital improvements, and local covid relief.

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the amounts for unclaimed monies.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

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

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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 expenditures 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.

Estimates

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

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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and income tax infrastructure fund are 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:

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 3: Budgetary Basis of Accounting (continued)

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (*modified* cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis at December 31, 2021 are as follows:

	<u>Net Change in Fund Balances</u>	
	<u>General</u>	<u>Income Tax Infrastructure</u>
Cash basis	\$ 1,021,646	\$ 309,959
Adjustment due to:		
Outstanding encumbrances	<u>(62,522)</u>	<u>(211,334)</u>
Budgetary basis	\$ <u>959,124</u>	\$ <u>98,625</u>

Note 4: Deposits and Investments

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

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

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

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

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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 4: Deposits and Investments (continued)

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);
7. Certain bankers' acceptances (for a period not to exceed 180 days) and commercial paper notes (for a period not to exceed 270 days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

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

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 4: Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2021, the Village had a book balance of \$4,661,557. Of the Village's bank balance of \$4,870,048, \$526,691 was uninsured and uncollateralized. All of the Village's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and one of the institutions were approved for a reduced collateral floor of 60% resulting in the uninsured and uncollateralized balance.

The Village follows the requirements of State statute for custodial credit risk. Ohio law requires that deposits be either insured or protected by:

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

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

Investments

The fair value of these investments is not materially different from measurement value. As of December 31, 2021, the Village had the following investments:

Investment Type	Measurement Value	Investment Maturities	
		Less than 1	> 1 year
Star Ohio	\$ 58,837	\$ 58,837	\$ -
CDARs	1,512,599	1,512,599	-
Federal National Mortgage Association	399,780	-	399,780
Federal Home Loan Bank	891,693	-	891,693
Federal Farm Credit Bank	613,284	-	613,284
Certificates of deposit	2,099,815	378,000	1,721,815
Total Investments	<u>\$ 5,576,008</u>	<u>\$ 1,949,436</u>	<u>\$ 3,626,572</u>

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring 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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 4: Deposits and Investments (continued)

Investments (continued)

Credit risk STAR Ohio carries a rating of AAAm by Standard and Poor's. The CDARs and certificates of deposit are not rated. The federal securities carry a rating of AA+ by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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 investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk The Village places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2021:

Investment Issuer	Percentage of Investments
CDARs	27%
Federal National Mortgage Association	7%
Federal Home Loan Bank	16%
Federal Farm Credit Bank	11%
Certificates of deposit	38%

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 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 5: Taxes (continued)

Property Taxes (continued)

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. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2021, was \$6.45 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2021 property tax receipts were based are as follows:

	<u>2021</u>
Real property:	
Residential/agricultural	\$ 49,331,050
Other	61,199,840
Tangible personal property:	
Public utility	<u>2,808,390</u>
Total assessed value	<u>\$ 113,339,280</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 1.25% income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.25% 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 2021, the receipts were allocated to the general fund and the income tax infrastructure fund.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 5: Taxes (continued)

Tax Abatements

As of December 31, 2021, the Village provides tax incentives under the Community Reinvestment Area (CRA) program.

Pursuant to Ohio Revised Code 3735, the Village established a CRA. The Village authorizes incentives through the passage of ordinances. The abatement equals an agreed-upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 100% of the increase in the assessed value resulting from the improvements. The amount of the abatement is deducted from the recipient's property tax bill.

For the year ended December 31, 2021, the Village abated property taxes totaling \$8,402 under this program.

Note 6: Interfund Transactions

Transfers

During 2021, the following transfers were made:

Transfers in	Transfers out				
	General Fund	Other Governmental Funds	Water	Sewer	Total
<i>Governmental:</i>					
Equipment Replacement Fund	\$ 21,241	\$ 35,000	\$ 74,213	\$ 99,839	\$ 230,293
Other Governmental Funds	148,265	250	250	250	149,015
Total Governmental	<u>169,506</u>	<u>35,250</u>	<u>74,463</u>	<u>100,089</u>	<u>379,308</u>
<i>Business-Type:</i>					
Sewer Capital Improvement Fund	4,379	-	-	15,000	19,379
Other Enterprise Funds	15,199	-	10,000	-	25,199
Total Business-Type	<u>19,578</u>	<u>-</u>	<u>10,000</u>	<u>15,000</u>	<u>44,578</u>
Total	<u>\$ 189,084</u>	<u>\$ 35,250</u>	<u>\$ 84,463</u>	<u>\$ 115,089</u>	<u>\$ 423,886</u>

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 6: Interfund Transactions (continued)

Transfers (continued)

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.

The above mentioned transfers from/to were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the other governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated projects.

Advances

Advances at December 31, 2021, consisted of a \$200,000 repayment from the infrastructure fund to the general fund.

Note 7: Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2021, the Village contracted with several companies for various types of insurance as follows:

- 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.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This 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, 2021

Note 8: Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police, 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 Annual Comprehensive Financial Report 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
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). 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 on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3%. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3%.

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. 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% 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 annuitization of their benefit (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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan option will no longer be available for new hires beginning in 2022.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

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

	<u>State and Local</u>
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits*	<u>0.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	10.0 %

* This employer health care rate is for the traditional and combined plans. The employer healthcare rate for the member-directed plan is 4%.

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

For 2021, the Village's contractually required pension contributions were \$95,754 for the traditional plan and \$2,644 for the member-directed plan.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – Village full-time police participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that 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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

Ohio Police & Fire Pension Fund (OP&F) (continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F 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% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 8: Defined Benefit Pension Plans (continued)

Ohio Police & Fire Pension Fund (OP&F) (continued)

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

	<u>Police</u>
2021 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2021 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required pension contribution to OP&F was \$129,717 for 2021.

Note 9: 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 postemployment 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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 9: Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report 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.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 9: Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0% of earnable salary. 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 2021, 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 2021 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required OPEB contribution was \$1,058 for 2021.

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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 9: Postemployment Benefits (continued)

Ohio Police and Fire Pension Fund (continued)

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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.

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% of covered payroll for police employer units. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 % of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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.

The Village's contractually required OPEB contribution to OP&F was \$3,414 for 2021.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 10: Debt

The original issue date, interest rates, and original issuance amount for each of the Village's long-term debt is as follows:

Debt Issue	Date Issued	Interest Rate	Original Issuance
Ohio Water Department Authority Loans:			
Water Pollution Control	2006	0.00%	11,591,837
Drinking Water	2007	2.75%	4,938,775
Fresh Water	2017	2.75%	126,334
Fresh Water	2018	3.02%	266,745
Ohio Public Works Commission Loans:			
South Springdale Avenue	2016	0.00%	46,285
Waterline Looping & Replacement	2000	0.00%	160,706
Sperry Lane Reconstruction	2011	0.00%	781,200

The Village's long-term debt activity for the year ended December 31, 2021 was as follows:

	Outstanding 12/31/2020	Debt Proceeds	Principal Paid	Outstanding 12/31/2021	Due Within One Year
Governmental Activities:					
<i>Ohio Water Department Authority Loans</i> *:					
Water Pollution Control	\$ 4,346,939	\$ -	\$ 579,592	\$ 3,767,347	\$ 579,590
Drinking Water	2,431,093	-	257,596	2,173,497	264,729
Fresh Water	116,574	-	5,083	111,491	5,224
Total Ohio Water Department Authority	<u>6,894,606</u>	<u>-</u>	<u>842,271</u>	<u>6,052,335</u>	<u>849,543</u>
<i>Ohio Public Works Commission Loans</i> *:					
South Springdale Avenue	43,971	-	4,629	39,342	4,628
Waterline Looping & Replacement	32,141	-	8,035	24,106	8,035
Sperry Lane Reconstruction	130,200	-	26,040	104,160	26,040
Total Ohio Public Works Commission	<u>206,312</u>	<u>-</u>	<u>38,704</u>	<u>167,608</u>	<u>38,703</u>
Total Governmental Activities	<u>7,100,918</u>	<u>-</u>	<u>880,975</u>	<u>6,219,943</u>	<u>888,246</u>
Business-Type Activities:					
<i>Ohio Water Department Authority Loans</i> *:					
Fresh Water	263,982	-	5,652	258,330	5,824
<i>Ohio Public Works Commission Loans</i> *:					
Sperry Lane Reconstruction	260,400	-	52,080	208,320	52,080
Total Business-Type Activities	<u>524,382</u>	<u>-</u>	<u>57,732</u>	<u>466,650</u>	<u>57,904</u>
Total Village	<u>\$ 7,625,300</u>	<u>\$ -</u>	<u>\$ 938,707</u>	<u>\$ 6,686,593</u>	<u>\$ 946,150</u>

* Long-term obligation is a direct placement.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 10: Debt (continued)

The Village has pledged future receipts to repay the Ohio Water Development Authority (OWDA) loans in the Village governmental and business-type funds. The OWDA loans relate to the Village's water and sewer expansion projects. These loans carry interest rates ranging from 0.00% to 3.02%.

The outstanding OWDA loans contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1% on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the Village shall continue to pay an additional late charge of 1% on the amount of the default until such charges are paid.

The Village has pledged future receipts to repay the Ohio Public Works Commission (OPWC) loans in the Village governmental and business-type funds. The OPWC loans relate to the Village's water treatment and sewer treatment systems. These loans are interest free.

The South Springdale Avenue OPWC loan was for \$46,285 and will be repaid in semiannual installments of \$2,314 over 10 years. The Waterline Looping & Replacement OPWC loan was for \$160,706 and will be repaid in semiannual installments of \$4,018 over 20 years. The Sperry Lane Reconstruction OPWC loan was for \$781,200 and will be repaid in semiannual installments of \$39,060 over 10 years.

The Village's outstanding OPWC loans from direct borrowings contain provisions that in the event of default (1) OPWC may apply late fees of 8% per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the Village's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 10: Debt (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2021 are as follows:

Year Ending	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
December 31:			
2022	\$ 90,783	\$ 855,367	\$ 68,752
2023	90,783	863,019	61,100
2024	90,784	870,883	53,235
2025	82,748	878,966	45,153
2026	4,628	887,273	36,846
2027-2031	16,202	1,711,490	73,823
2032-2036	-	78,042	31,140
2037-2041	-	64,474	19,946
2042-2046	-	56,361	11,549
2047-2050	-	44,790	2,745
Total	<u>\$ 375,928</u>	<u>\$ 6,310,665</u>	<u>\$ 404,289</u>

Note 11: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of these proceedings, Village's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Village's financial position.

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

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 12: Jointly Governed Organization

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 ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in over 240 communities who have been authorized by ballot to purchase energy on behalf of their citizens.

The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 community then elect one person to serve on the 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 did not contribute to NOPEC during 2021. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #33, Solon, Ohio 44139.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 13: 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:

	General	Income Tax Infrastructure	Equipment Replacement	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>					
Unclaimed monies	\$ 5,086	\$ -	\$ -	\$ -	\$ 5,086
<u>Restricted:</u>					
Recreation center	-	-	-	38,356	38,356
Street and highway repair	-	-	-	224,252	224,252
Cemetery	-	-	-	168,740	168,740
Ambulance levy	-	-	-	194,349	194,349
Sick leave	-	-	-	157,997	157,997
Endowment	-	-	-	2,074	2,074
Trust	-	-	-	594	594
Police	-	-	-	171,038	171,038
Economic Development	-	-	-	148,952	148,952
Transmission	-	-	-	15,304	15,304
Local COVID relief	-	-	-	141,414	141,414
Capital improvements	-	639,282	657,380	481,376	1,778,038
Total restricted	-	639,282	657,380	1,744,446	3,041,108
<u>Committed:</u>					
Capital improvements	-	-	-	30,010	30,010
<u>Assigned:</u>					
Encumbrances	62,522	-	-	-	62,522
<u>Unassigned:</u>					
	3,268,806	-	-	-	3,268,806
Total fund balances	\$ 3,336,414	\$ 639,282	\$ 657,380	\$ 1,774,456	\$ 6,407,532

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 14: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. There was no impact on the Village's financial statements and disclosures.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 15: Contractual Commitments

Ohio Revised Code Section 6111.44 requires the Village to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the Village would be responsible to address any public safety issues associated with their waste water treatment facilities.

The Village is legally obligated to treat wastewater to State and Federal standards that is generated from its facility planning area. In order to retire the current wastewater treatment plant the Village would have to remove residual wastewater, sludge and other solids to another wastewater plant, remove treatment and laboratory chemicals and decontaminate equipment.

Ohio Administrative Code Section 3745-9-10 requires wells not being used to obtain water or provide information on quantity or quality be sealed. The Village has wells that would be required to be filled and capped. This would require concrete to fill the well casing, removal of the pumps and upper portion of the casing to a below elevation grade along with welding plate to seal the casing after it was filled.

Village of Middlefield

Geauga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2021

Note 16: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the Village received \$141,414 as an on-behalf of grant from another government. These amounts are recorded in the local fiscal recovery special revenue fund.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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
P.O. Box 1019
Middlefield, Ohio 44062

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 3, 2024, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 3, 2024

Village of Middlefield, Ohio

Middlefield Means Business

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022 AND 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Material Weakness – Financial Statement Adjustments: Various financial statement adjustments related to the budgetary basis financial statements due to the inadvertent use of incorrect data by the Village's conversion firm.	Corrected	
2020-002	Material Weakness – Finding for Recovery Repaid Under Audit – Village Administrator and Police Chief Overpayment: The Village Administrator and Police Chief were over paid due to an incorrect calculation of new hourly rates as approved by Council. The overpayments were repaid back to the Village by the Fiscal Officer.	Corrected	



OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MIDDLEFIELD

GEAUGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/28/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov