



Dave Yost • Auditor of State

VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY

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GEAUGA COUNTY

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Dave Yost • Auditor of State

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 Financial Statements

We have audited the accompanying 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio, as of December 31, 2016 and 2015, and the respective changes in cash financial position and the budgetary comparisons for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

October 27, 2017

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 2,083,354	\$ 2,033,722	\$ 4,117,076
Cash in segregated accounts	2,300	-	2,300
Total assets	<u>2,085,654</u>	<u>2,033,722</u>	<u>4,119,376</u>
Net Position			
Restricted for:			
Capital projects	766,469	-	766,469
Other purposes	508,244	-	508,244
Unrestricted	810,941	2,033,722	2,844,663
Total net position	<u>\$ 2,085,654</u>	<u>\$ 2,033,722</u>	<u>\$ 4,119,376</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 729,677	\$ 80,090	\$ -	\$ -	\$ (649,587)	\$ -	\$ (649,587)
Security of persons and property	1,061,371	22,468	6,662	-	(1,032,241)	-	(1,032,241)
Public health services	26,395	29,759	-	-	3,364	-	3,364
Leisure time activities	253,104	52,911	21,336	-	(178,857)	-	(178,857)
Community environment	106,201	17,795	-	-	(88,406)	-	(88,406)
Basic utility services	14,443	47,602	-	-	33,159	-	33,159
Transportation	345,293	8,460	-	120,411	(216,422)	-	(216,422)
Capital outlay	61,657	-	-	-	(61,657)	-	(61,657)
Debt service:							
Principal retirement	838,381	-	-	-	(838,381)	-	(838,381)
Interest and fiscal charges	97,979	-	-	-	(97,979)	-	(97,979)
Total governmental activities	3,534,501	259,085	27,998	120,411	(3,127,007)	-	(3,127,007)
Business-Type Activity							
Water	469,513	617,012	-	-	-	147,499	147,499
Sewer	652,766	720,081	-	-	-	67,315	67,315
Total business-type activities	1,122,279	1,337,093	-	-	-	214,814	214,814
Total government	\$ 4,656,780	\$ 1,596,178	\$ 27,998	\$ 120,411	(3,127,007)	214,814	(2,912,193)
General Receipts							
Municipal income taxes levied for:							
General purposes					2,680,277	-	2,680,277
Property taxes levied for:							
General purposes					239,865	-	239,865
Security of persons and property					182,064	-	182,064
Grants and entitlements not restricted to specific programs					76,063	-	76,063
Sale of capital assets					85	-	85
Earnings on investment					14,117	-	14,117
Total general receipts					3,192,471	-	3,192,471
Transfers					149,665	(149,665)	-
Total general receipts and transfers					3,342,136	(149,665)	3,192,471
Change in net position					215,129	65,149	280,278
Net position beginning of year					1,870,525	1,968,573	3,839,098
Net position end of year					\$ 2,085,654	\$ 2,033,722	\$ 4,119,376

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

	<u>General</u>	<u>Equipment Replacement Fund</u>	<u>Utility Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash and cash equivalents	\$ 810,941	\$ 246,150	\$ 338,447	\$ 687,816	\$ 2,083,354
Cash in segregated accounts	-	-	-	2,300	2,300
Total assets	<u>\$ 810,941</u>	<u>\$ 246,150</u>	<u>\$ 338,447</u>	<u>\$ 690,116</u>	<u>\$ 2,085,654</u>
Fund Balances					
Restricted	-	\$ 246,150	\$ 338,447	\$ 660,106	\$ 1,244,703
Committed	-	-	-	30,010	30,010
Assigned	14,175	-	-	-	14,175
Unassigned	796,766	-	-	-	796,766
Total fund balances	<u>\$ 810,941</u>	<u>\$ 246,150</u>	<u>\$ 338,447</u>	<u>\$ 690,116</u>	<u>\$ 2,085,654</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Equipment Replacement Fund	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 2,680,277	\$ -	\$ -	\$ -	\$ 2,680,277
Property and other local taxes	239,865	-	-	182,064	421,929
Charges for services	57,383	-	47,602	66,370	171,355
Fines, licenses and permits	67,395	-	-	336	67,731
Intergovernmental	70,604	-	-	125,872	196,476
Gifts and contributions	2,671	-	-	3,941	6,612
Interest	14,116	-	-	1	14,117
Miscellaneous	2,206	-	-	39,177	41,383
Total receipts	3,134,517	-	47,602	417,761	3,599,880
Disbursements					
Current:					
General government	725,930	-	211	3,536	729,677
Security of persons and property	878,691	-	-	182,680	1,061,371
Public health services	-	-	-	26,395	26,395
Leisure time activities	103,208	-	-	149,896	253,104
Community environment	68,201	-	-	38,000	106,201
Basic utility services	14,443	-	-	-	14,443
Transportation	169,869	-	-	175,424	345,293
Capital outlay	12,957	28,106	-	20,594	61,657
Debt service:					
Principal retirement	830,346	-	-	8,035	838,381
Interest and fiscal charges	97,979	-	-	-	97,979
Total disbursements	2,901,624	28,106	211	604,560	3,534,501
Excess of receipts over (under) disbursements	232,893	(28,106)	47,391	(186,799)	65,379
Other financing sources (uses)					
Sale of capital assets	85	-	-	-	85
Transfers in	120,000	105,052	-	189,146	414,198
Transfers out	(234,283)	-	-	(30,250)	(264,533)
Total other financing sources (uses)	(114,198)	105,052	-	158,896	149,750
Net change in fund balance	118,695	76,946	47,391	(27,903)	215,129
Fund balances beginning of year	692,246	169,204	291,056	718,019	1,870,525
Fund balances end of year	<u>\$ 810,941</u>	<u>\$ 246,150</u>	<u>\$ 338,447</u>	<u>\$ 690,116</u>	<u>\$ 2,085,654</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Municipal income taxes	\$ 475	\$ 464	\$ 614	\$ 150
Property and other local taxes	229,507	239,865	239,865	-
Charges for services	44,414	43,338	57,383	14,045
Fines, licenses and permits	52,163	50,900	67,395	16,495
Intergovernmental	115,366	102,245	70,604	(31,641)
Gifts and contributions	2,067	2,017	2,671	654
Interest	10,926	10,661	14,116	3,455
Miscellaneous	1,707	1,666	2,206	540
Total receipts	456,626	451,156	454,854	3,698
Disbursements				
Current:				
General government	467,058	446,859	462,123	(15,264)
Security of persons and property	803,770	794,995	878,691	(83,696)
Leisure time activities	150,009	155,524	103,208	52,316
Community environment	66,936	69,397	46,053	23,344
Basic utility services	20,992	21,764	14,443	7,321
Transportation	35,412	36,714	24,364	12,350
Total disbursements	1,544,178	1,525,254	1,528,882	(3,628)
Excess of receipts under disbursements	(1,087,552)	(1,074,098)	(1,074,028)	70
Other financing sources (uses)				
Sale of capital assets	-	-	85	85
Transfers in	1,100,000	1,100,000	1,120,000	20,000
Transfers out	-	(63,533)	(63,533)	-
Total other financing sources (uses)	1,100,000	1,036,467	1,056,552	20,085
Net change in fund balance	12,448	(37,631)	(17,476)	20,155
Fund balance at beginning of year	(1,293)	(1,293)	(1,293)	-
Prior year encumbrances appropriated	590	590	590	-
Fund balance at end of year	\$ 11,745	\$ (38,334)	\$ (18,179)	\$ 20,155

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
Proprietary Funds
December 31, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>New Well Capital Improvement</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 624,811	\$ 503,490	\$ 519,399	\$ 305,884	\$ 80,138	\$ 2,033,722
Total assets	<u>\$ 624,811</u>	<u>\$ 503,490</u>	<u>\$ 519,399</u>	<u>\$ 305,884</u>	<u>\$ 80,138</u>	<u>\$ 2,033,722</u>
Net Position						
Unrestricted	\$ 624,811	\$ 503,490	\$ 519,399	\$ 305,884	\$ 80,138	\$ 2,033,722
Total net position	<u>\$ 624,811</u>	<u>\$ 503,490</u>	<u>\$ 519,399</u>	<u>\$ 305,884</u>	<u>\$ 80,138</u>	<u>\$ 2,033,722</u>

See accompanying notes to the financial statements.

**Village of Middlefield
Geauga County**

*Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016*

	Water	Sewer	Sewer Capital Improvement	New Well Capital Improvement	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts						
Charges for services	\$ 609,674	\$ 706,924	\$ -	\$ -	\$ -	\$ 1,316,598
Other operating receipts	7,338	13,157	-	-	-	20,495
Total operating receipts	<u>617,012</u>	<u>720,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,337,093</u>
Operating Disbursements						
Personal services	179,777	236,787	-	-	-	416,564
Employee fringe benefits	21,712	6,979	-	-	-	28,691
Contractual services	168,790	294,753	-	-	-	463,543
Supplies and materials	73,194	85,681	-	-	-	158,875
Total operating disbursements	<u>443,473</u>	<u>624,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,673</u>
Operating income	<u>173,539</u>	<u>95,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,420</u>
Non-operating disbursements						
Capital outlay	-	(2,526)	-	-	-	(2,526)
Principal retirement	(26,040)	(26,040)	-	-	-	(52,080)
Total non-operating disbursements	<u>(26,040)</u>	<u>(28,566)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,606)</u>
Income before transfers	<u>147,499</u>	<u>67,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,814</u>
Transfers						
Transfers in	-	-	13,501	10,310	24	23,835
Transfers out	(140,250)	(33,250)	-	-	-	(173,500)
Change in net position	7,249	34,065	13,501	10,310	24	65,149
Net position beginning of year	<u>617,562</u>	<u>469,425</u>	<u>505,898</u>	<u>295,574</u>	<u>80,114</u>	<u>1,968,573</u>
Net position end of year	<u>\$ 624,811</u>	<u>\$ 503,490</u>	<u>\$ 519,399</u>	<u>\$ 305,884</u>	<u>\$ 80,138</u>	<u>\$ 2,033,722</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2016

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

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, component units and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

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

Jointly Governed Organizations

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

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

Fund Accounting

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

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. In accordance with GASB 54, the Village's Income Tax fund is presented as a part of the general fund in the financial statements. All interfund transactions are eliminated. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Basis of Accounting

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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

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

Cash and Investments

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

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

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

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

During 2016, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

The Village's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village implemented Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants", for 2016. The implementation of this GASB pronouncement has no effect on beginning net position/fund balance. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 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 2016 were \$14,116, \$11,377 of which is assigned from other Village funds.

Restricted Assets

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

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

The Village applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Basis of Accounting

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

<u>Budget Basis Reconciliation</u>	
Fund Balance, Cash Basis	\$ 810,941
Outstanding Encumbrances	(931)
GASB 54 Adjustment	<u>(828,189)</u>
Fund Balance, Budget Basis	<u>\$ (18,179)</u>

Note 4 – Deposits and Investments

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

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

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

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

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (continued)

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

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

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

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Village's bank balance of \$2,230,433 was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (continued)

Investments

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

Investment Type	2016 Fair Value
Star Ohio	\$ 55,343
Wunderlich Securities	1,846,662
Total Investments	\$ 1,902,005

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

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

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

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes, respectively.

2016 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015 and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$5.22 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2016 property tax receipts were based are as follows:

	<u>2016</u>
Real property	
Residential and agricultural	\$ 42,978,100
Other	<u>42,692,000</u>
Total assessed value	<u><u>\$ 85,670,100</u></u>

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

Income Taxes

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

Income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2016, the receipts were allocated solely to the general fund.

Note 6 – Risk Management

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

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

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

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

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

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

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans (continued)

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$110,450 for year 2016.

Ohio Police & Fire Pension Fund

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans (continued)

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

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

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

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$114,811 for 2016.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits (continued)

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

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

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$15,779, \$15,730, and \$6,746, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

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

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

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits (continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contribution to OPF for healthcare for the years ended December 31, 2016, 2015, and 2014 were \$2,944, \$5,634, and \$32,678, respectively. The full amount has been contributed for all three years.

Note 9 – Debt

The Village's long-term debt activity for the year ended December 31, 2016 was as follows:

	<u>Balance at</u> <u>1/1/2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>12/31/2016</u>	<u>Due within</u> <u>one year</u>
OPWC Loans 0%	\$ 810,440	\$ -	\$ (86,155)	\$ 724,285	\$ 86,155
OWDA Loans 0%-2.78%	<u>10,863,533</u>	<u>-</u>	<u>(804,306)</u>	<u>10,059,227</u>	<u>810,529</u>
	<u>\$ 11,673,973</u>	<u>\$ -</u>	<u>\$ (890,461)</u>	<u>\$ 10,783,512</u>	<u>\$ 896,684</u>

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

Year Ending December 31:	OPWC Loans		OWDA Loans	
	Principal	Principal	Interest	
2017	\$ 86,155	\$ 810,529	\$ 91,756	
2018	86,155	816,923	85,362	
2019	86,155	823,495	78,790	
2020	86,155	830,248	72,037	
2021	86,155	837,188	65,096	
2022-2026	293,510	4,296,964	214,459	
2027-2029	-	1,643,880	32,239	
Total	\$ 724,285	\$ 10,059,227	\$ 639,739	

Note 10 – Fund Balances

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

<i>2016 Fund Balances</i>	<i>General</i>	<i>Equipment Replacement</i>	<i>Utility Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<u>Restricted for</u>					
Recreation center	-	-	-	997	997
Law enforcement	-	-	-	34,096	34,096
Street and highway repair	-	-	-	25,216	25,216
Cemetery	-	-	-	109,785	109,785
Amulance levy	-	-	-	65,278	65,278
Sick leave	-	-	-	150,497	150,497
Endowment	-	-	-	2,071	2,071
Trust	-	-	-	593	593
Economic Development	-	-	-	119,711	119,711
Capital improvements	-	246,150	338,447	151,862	736,459
Total restricted	-	246,150	338,447	660,106	1,244,703
<u>Committed for</u>					
Capital improvements	-	-	-	30,010	30,010
<u>Assigned</u>					
Encumbrances	931	-	-	-	931
Subsequent year appropriations	13,244	-	-	-	13,244
Total assigned	14,175	-	-	-	14,175
<u>Unassigned</u>	796,766	-	-	-	796,766
Total fund balances	\$ 810,941	\$ 246,150	\$ 338,447	\$ 690,116	\$ 2,085,654

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 – Contingent Liabilities

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

Note 12 – Northeast Ohio Public Energy Council

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village of Middlefield did not contribute to NOPEC during 2016. Financial information can be obtained by contacting Ron McVoy, Board Chairman, or Chuck Keiper, Executive Director, at 31320 Solon Road, Suite 20 Solon, Ohio 44139 or on the website www.nopecinfo.org.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 13 – Interfund Transactions

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

	2016	
Fund	Transfers In	Transfers Out
General	\$ 120,000	\$ 234,283
Equipment replacement	105,052	-
Police levy	-	30,250
Street construction, maintenance and repair	31,455	-
State highway	31,191	-
Cemetery	18,000	-
Parks and recreation	92,000	-
Sidewalks	15,000	-
Sick leave	1,500	-
Subtotal Nonmajor Governmental Funds	189,146	30,250
Sewer capital improvements	13,501	-
New well capital improvements	10,310	-
Water revenue	-	140,250
Water emergency	24	-
Sewer revenue	-	33,250
Total Enterprise Funds	23,835	173,500
Total	\$ 438,033	\$ 438,033

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.

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 1,749,799	\$ 1,968,573	\$ 3,718,372
Cash in segregated accounts	120,726	-	120,726
Total assets	<u>1,870,525</u>	<u>1,968,573</u>	<u>3,839,098</u>
Net Position			
Restricted for:			
Capital projects	650,941	-	650,941
Other purposes	527,338	-	527,338
Unrestricted	<u>692,246</u>	<u>1,968,573</u>	<u>2,660,819</u>
Total net position	<u>\$ 1,870,525</u>	<u>\$ 1,968,573</u>	<u>\$ 3,839,098</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 730,637	\$ 71,590	\$ -	\$ -	\$ (659,047)	\$ -	\$ (659,047)
Security of persons and property	1,031,511	12,423	13,821	-	(1,005,267)	-	(1,005,267)
Public health services	18,858	18,841	-	-	(17)	-	(17)
Leisure time activities	223,804	51,445	26,144	-	(146,215)	-	(146,215)
Community environment	68,935	-	-	-	(68,935)	-	(68,935)
Basic utility services	37,075	11,338	-	-	(25,737)	-	(25,737)
Transportation	766,248	7,250	-	124,729	(634,269)	-	(634,269)
Capital outlay	154,153	-	-	-	(154,153)	-	(154,153)
Debt service:							
Principal retirement	696,549	-	-	-	(696,549)	-	(696,549)
Interest and fiscal charges	104,032	-	-	-	(104,032)	-	(104,032)
Total governmental activities	3,831,802	172,887	39,965	124,729	(3,494,221)	-	(3,494,221)
Business-Type Activity							
Water	457,960	616,602	-	-	-	158,642	158,642
Sewer	633,710	717,748	-	-	-	84,038	84,038
Water Emergency	-	246	-	-	-	246	246
Total business-type activities	1,091,670	1,334,596	-	-	-	242,926	242,926
Total government	\$ 4,923,472	\$ 1,507,483	\$ 39,965	\$ 124,729	(3,494,221)	242,926	(3,251,295)
General Receipts							
Municipal income taxes levied for:							
General purposes					2,567,692	-	2,567,692
Property taxes levied for:							
General purposes					242,828	-	242,828
Security of persons and property					80,092	-	80,092
Grants and entitlements not restricted							
to specific programs					79,738	-	79,738
Sale of capital assets					3,210	-	3,210
Earnings on investment					3,262	-	3,262
Total general receipts					2,976,822	-	2,976,822
Transfers					175,155	(175,155)	-
Total general receipts and transfers					3,151,977	(175,155)	2,976,822
Change in net position					(342,244)	67,771	(274,473)
Net position beginning of year					2,212,769	1,900,802	4,113,571
Net position end of year					\$ 1,870,525	\$ 1,968,573	\$ 3,839,098

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

	General	Recreation Center Construction	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 573,820	\$ -	\$ 291,056	\$ 884,923	\$ 1,749,799
Cash in segregated accounts	118,426	-	-	2,300	120,726
Total assets	<u>\$ 692,246</u>	<u>\$ -</u>	<u>\$ 291,056</u>	<u>\$ 887,223</u>	<u>\$ 1,870,525</u>
Fund Balances					
Restricted	\$ -	\$ -	\$ 291,056	\$ 857,213	\$ 1,148,269
Committed	-	-	-	30,010	30,010
Assigned	2,817	-	-	-	2,817
Unassigned	689,429	-	-	-	689,429
Total fund balances	<u>\$ 692,246</u>	<u>\$ -</u>	<u>\$ 291,056</u>	<u>\$ 887,223</u>	<u>\$ 1,870,525</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

	General	Recreation Center Construction	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 2,567,692	\$ -	\$ -	\$ -	\$ 2,567,692
Property and other local taxes	242,828	-	-	80,092	322,920
Charges for services	50,998	-	11,338	56,963	119,299
Fines, licenses and permits	54,330	-	-	354	54,684
Intergovernmental	77,655	-	-	123,634	201,289
Interest	3,262	-	-	1	3,263
Miscellaneous	630	-	-	41,416	42,046
Total receipts	2,997,395	-	11,338	302,460	3,311,193
Disbursements					
Current:					
General government	728,621	-	110	1,906	730,637
Security of persons and property	936,388	-	-	95,123	1,031,511
Public health services	-	-	-	18,858	18,858
Leisure time activities	82,663	-	-	141,141	223,804
Community environment	68,935	-	-	-	68,935
Basic utility services	37,075	-	-	-	37,075
Transportation	564,802	-	-	201,446	766,248
Capital outlay	-	-	-	154,153	154,153
Debt service:					
Principal retirement	688,514	-	-	8,035	696,549
Interest and fiscal charges	104,032	-	-	-	104,032
Total disbursements	3,211,030	-	110	620,662	3,831,802
Excess of receipts over (under) disbursements	(213,635)	-	11,228	(318,202)	(520,609)
Other financing sources (uses)					
Sale of capital assets	3,210	-	-	-	3,210
Transfers in	677,045	-	-	267,278	944,323
Transfers out	(232,123)	(527,045)	-	(10,000)	(769,168)
Total other financing sources (uses)	448,132	(527,045)	-	257,278	178,365
Net change in fund balance	234,497	(527,045)	11,228	(60,924)	(342,244)
Fund balances beginning of year	457,749	527,045	279,828	948,147	2,212,769
Fund balances end of year	<u>\$ 692,246</u>	<u>\$ -</u>	<u>\$ 291,056</u>	<u>\$ 887,223</u>	<u>\$ 1,870,525</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Municipal income taxes	\$ 3,225	\$ 5,089	\$ 3,306	\$ (1,783)
Property and other local taxes	227,250	243,482	242,828	(654)
Charges for services	49,743	78,499	50,998	(27,501)
Fines, licenses and permits	52,993	83,627	54,330	(29,297)
Intergovernmental	135,680	173,117	77,655	(95,462)
Interest	3,182	5,021	3,262	(1,759)
Miscellaneous	614	970	630	(340)
Total receipts	472,686	589,805	433,009	(156,796)
Disbursements				
Current:				
General government	415,938	396,527	385,422	11,105
Security of persons and property	800,150	858,558	936,435	(77,877)
Leisure time activities	115,707	110,688	82,663	28,025
Community environment	69,882	66,851	49,925	16,926
Basic utility services	51,896	49,645	37,075	12,570
Transportation	35,689	34,141	25,497	8,644
Total disbursements	1,489,263	1,516,410	1,517,017	(607)
Excess of receipts under disbursements	(1,016,577)	(926,605)	(1,084,008)	(157,403)
Other financing sources (uses)				
Sale of capital assets	-	-	3,210	3,210
Transfers in	1,000,000	1,000,000	1,150,000	150,000
Transfers out	-	(87,623)	(87,623)	-
Total other financing sources (uses)	1,000,000	912,377	1,065,587	153,210
Net change in fund balance	(16,577)	(14,228)	(18,421)	(4,193)
Fund balance at beginning of year	16,733	16,733	16,733	-
Prior year encumbrances appropriated	395	395	395	-
Fund balance at end of year	\$ 551	\$ 2,900	\$ (1,293)	\$ (4,193)

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Net Position - Cash Basis
Proprietary Funds
December 31, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>New Well Capital Improvement</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 617,562	\$ 469,425	\$ 505,898	\$ 295,574	\$ 80,114	\$ 1,968,573
Total assets	<u>\$ 617,562</u>	<u>\$ 469,425</u>	<u>\$ 505,898</u>	<u>\$ 295,574</u>	<u>\$ 80,114</u>	<u>\$ 1,968,573</u>
Net Position						
Unrestricted	<u>\$ 617,562</u>	<u>\$ 469,425</u>	<u>\$ 505,898</u>	<u>\$ 295,574</u>	<u>\$ 80,114</u>	<u>\$ 1,968,573</u>
Total net position	<u>\$ 617,562</u>	<u>\$ 469,425</u>	<u>\$ 505,898</u>	<u>\$ 295,574</u>	<u>\$ 80,114</u>	<u>\$ 1,968,573</u>

See accompanying notes to the financial statements.

**Village of Middlefield
Geauga County**
*Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2015*

	Water	Sewer	Sewer Capital Improvement	New Well Capital Improvement	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts						
Charges for services	\$ 614,945	\$ 707,700	\$ -	\$ -	\$ -	\$ 1,322,645
Other operating receipts	1,657	10,048	-	-	246	11,951
Total operating receipts	<u>616,602</u>	<u>717,748</u>	<u>-</u>	<u>-</u>	<u>246</u>	<u>1,334,596</u>
Operating Disbursements						
Personal services	166,111	219,766	-	-	-	385,877
Employee fringe benefits	16,556	7,073	-	-	-	23,629
Contractual services	162,623	298,003	-	-	-	460,626
Supplies and materials	99,330	91,963	-	-	-	191,293
Total operating disbursements	<u>444,620</u>	<u>616,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,061,425</u>
Operating income	<u>171,982</u>	<u>100,943</u>	<u>-</u>	<u>-</u>	<u>246</u>	<u>273,171</u>
Non-operating disbursements						
Capital outlay	(320)	(3,885)	-	-	-	(4,205)
Principal retirement	(13,020)	(13,020)	-	-	-	(26,040)
Total non-operating disbursements	<u>(13,340)</u>	<u>(16,905)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,245)</u>
Income before transfers	<u>158,642</u>	<u>84,038</u>	<u>-</u>	<u>-</u>	<u>246</u>	<u>242,926</u>
Transfers						
Transfers in	-	-	15,441	10,328	76	25,845
Transfers out	(110,500)	(90,500)	-	-	-	(201,000)
Change in net position	48,142	(6,462)	15,441	10,328	322	67,771
Net position beginning of year	<u>569,420</u>	<u>475,887</u>	<u>490,457</u>	<u>285,246</u>	<u>79,792</u>	<u>1,900,802</u>
Net position end of year	<u>\$ 617,562</u>	<u>\$ 469,425</u>	<u>\$ 505,898</u>	<u>\$ 295,574</u>	<u>\$ 80,114</u>	<u>\$ 1,968,573</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2015

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 617
Investments	<u>12,445</u>
Total assets	<u>13,062</u>
Net Position	
Restricted for:	
Deposits	<u>\$ 13,062</u>
Total net position	<u><u>\$ 13,062</u></u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, component units and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

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

Jointly Governed Organizations

The Village participates in the Northeast Ohio Public Energy Council (NOPEC) jointly governed organization. For more information on jointly governed organizations see Note 14.

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-Wide Financial Statements

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

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

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

Fund Accounting

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

Governmental Funds

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

General - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. In accordance with GASB 54, the Village's Income Tax fund is presented as a part of the general fund in the financial statements. All interfund transactions are eliminated. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Recreation Center Construction - The recreation center construction fund is used to account for monies for the construction of the recreation center.

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

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

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

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

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

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

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

Fiduciary Funds

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

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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.

Budgetary Process

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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 certificated of estimated resources in effect at the time final appropriation were passed by the Village Council.

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

Cash and Investments

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

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

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

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

During 2015, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2015.

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 2015 were \$3,262, \$2,615 of which is assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or by laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted. Restricted assets in the enterprise funds represent amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of capital assets originally acquired with bond proceeds. The Village had no restricted assets.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

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 postretirement health care benefits.

Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. 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.

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

The Village applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

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

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

Note 3 – Budgetary Basis of Accounting

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

Budget Basis Reconciliation	
Fund Balance, Cash Basis	\$ 692,246
Outstanding Encumbrances	(590)
GASB 54 Adjustment	(692,949)
Fund Balance, Budget Basis	<u>\$ (1,293)</u>

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 year end, none of the Village’s bank balance of \$2,686,120 was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Village’s name.

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

Investments

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

Investment Type	2015 Fair Value
Star Ohio	\$ 55,048
Wunderlich Securities	1,038,757
Total Investments	\$ 1,093,805

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

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

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

Note 5 – Income Taxes

The Village levies a 1 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1 percent 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.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 5 – Income Taxes (continued)

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 2015, the receipts were allocated solely to the general fund.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes, respectively.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015 and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$5.22 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2015 property tax receipts were based are as follows:

	<u>2015</u>
Real property	
Residential and agricultural	\$ 42,926,440
Other	42,474,450
Total assessed value	<u><u>\$ 85,400,890</u></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.

Note 7 – Risk Management

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

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

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

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

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014 and 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.

The 2015 member contribution rates were 10.00% of earnable salary for members in state and local classifications. The Village's 2015 employer contribution rate was 14.00% of earnable salary. The Village's required contributions for all plans for the years ended December 31, 2015, 2014, and 2013 were \$110,113, \$87,692, and \$101,514 respectively. The full amount has been contributed for 2015, 2014, and 2013.

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2015 thru July 1, 2015, plan members were required to contribution 11.5% of their annual covered salary. From July 2, 2015 thru July 1, 2015, plan members were required to contribute 12.75% of their annual covered salary. Throughout 2015, employers were required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ended December 31, 2015, 2014, and 2013 were \$109,857, \$61,724 and \$71,486 respectively. The full amount has been contributed for 2015, 2014, and 2013.

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 is a cost-sharing, multiple-employer defined benefit pension plan. The Member Directed Plan is a defined contribution plan. The Combined Plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 9 - Postemployment Benefits (continued)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, aged-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, the Village contributed at a rate of 14.00% of earnable salary for state and local employees. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. For 2015, the portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 2%. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees 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.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2015, 2014, and 2013 were \$15,730, \$6,746, and \$7,808 respectively, 100% has been contributed for 2015, 2014, and 2013.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension obligation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 9 - Postemployment Benefits (continued)

OP&F provides access post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer unit. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 1% of covered payroll for 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is 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 contributions to OP&F allocated to the health care plan for the years ending December 31, 2015, 2014, and 2013 were \$5,634, \$32,678, and \$37,846 respectively. 100% has been contributed for 2015, 2014, and 2013.

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2015 was as follows:

	Balance at 1/1/2015	<u>Increase</u>	<u>Decrease</u>	Balance at 12/31/2015	Due within <u>one year</u>
OPWC Loans 0%	\$ 955,847	\$ -	\$ (145,407)	\$ 810,440	\$ 86,155
OWDA Loans 0%-2.78%	11,440,715	-	(577,182)	10,863,533	804,306
	<u>\$ 12,396,562</u>	<u>\$ -</u>	<u>\$ (722,589)</u>	<u>\$ 11,673,973</u>	<u>\$ 890,461</u>

Village of Middlefield
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 10 – Debt (continued)

The Ohio Public Works Commission (OPWC) Loans were used for improvements to the Village’s water treatment and sewer treatment systems. In 2014, the Village completed work on the Sperry Lane construction project and OPWC completed the amortization schedule for that loan which is to be paid from both income taxes and user charges. The other OPWC loans will be paid from income tax revenue. The OPWC balance as of December 31, 2014 was understated by the amount of the Sperry Lane loan totaling \$781,200.

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015 are as follows:

Year Ending December 31:	OPWC Loans		OWDA Loans	
	Principal		Principal	Interest
2016	\$ 86,155		\$ 804,306	\$ 97,978
2017	86,155		810,529	91,756
2018	86,155		816,923	85,362
2019	86,155		823,495	78,790
2020	86,155		830,248	7,037
2021-2025	379,665		4,259,270	252,152
2026-2030	-		2,518,762	59,642
Total	\$ 810,440		\$ 10,863,533	\$ 672,717

Note 11 - Fund Balances

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

<i>2015 Fund Balances</i>	<i>General</i>	<i>Utility Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<u>Restricted for</u>				
Recreation center	-	-	947	947
Law enforcement	-	-	38,731	38,731
Street and highway repair	-	-	17,583	17,583
Cemetery	-	-	111,241	111,241
Amulance levy	-	-	67,259	67,259
Sick leave	-	-	148,997	148,997
Endowment	-	-	2,071	2,071
Trust	-	-	593	593
Economic Development	-	-	139,916	139,916
Capital improvements	-	291,056	329,875	620,931
Total restricted	-	291,056	857,213	1,148,269
<u>Committed for</u>				
Capital improvements	-	-	30,010	30,010
<u>Assigned</u>				
Encumbrances	2,817	-	-	2,817
Total assigned	2,817	-	-	2,817
<u>Unassigned</u>	689,429	-	-	689,429
Total fund balances	\$ 692,246	\$ 291,056	\$ 887,223	\$ 1,870,525

Village of Middlefield
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 12 - Interfund Transactions

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

Fund	2015	
	Transfers In	Transfers Out
General	\$ 677,045	\$ 232,123
Recreation center construction	-	527,045
Police levy	-	10,000
Street construction, maintenance and repair	60,257	-
State highway	26,210	-
Parks and recreation	75,000	-
Equipment replacement	60,086	-
Sidewalks	44,000	-
Sick leave	1,725	-
Subtotal Nonmajor Governmental Funds	267,278	10,000
Sewer capital improvements	441	-
New well capital improvements	25,328	-
Water revenue	-	110,500
Water emergency	76	-
Sewer revenue	-	90,500
Total Enterprise Funds	25,845	201,000
Total	\$ 970,168	\$ 970,168

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. The transfer of monies from the Recreation Center Construction Fund to the General Fund was made per ordinance of the Village Council since the original commitment of these funds was no longer necessary. The Recreation Center Construction Fund had no activity for 10 years and the committed amount was returned to its original source. Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions.

Note 13 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Note 14 – Northeast Ohio Public Energy Council

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village of Middlefield did not contribute to NOPEC during 2015. Financial information can be obtained by contacting Ron McVoy, Board Chairman, or Chuck Keiper, Executive Director, at 31320 Solon Road, Suite 20 Solon, Ohio 44139 or on the website www.nopecinfo.org.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 27, 2017, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 27, 2017

**VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDING NUMBER 2016-001

Noncompliance Finding / Significant Deficiency – Cash Reconciliation

Ohio Admin. Code 117-2-02-(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash book balance. Bank reconciliation means accounting for the differences between the bank statement's balances and the cash and investment book balances according to the entity's records at a specific point in time. In order for the bank reconciliation to be an effective internal control, the bank reconciliation should be performed each month within a few days of receiving the entity's bank statements and should include all bank accounts held by the entity. Additionally, all differences between the bank statement balances and accounting record balances should be identified, documented, and if necessary, adjusted to the accounting records immediately.

The initial December 31, 2016 and 2015 bank reconciliations indicated the Village's cash fund balances exceeded its bank balances by difference of \$26,209 and \$8,418, respectively. Subsequent review of the bank reconciliations by management identified various improperly recorded accounting system adjustments which contributed to the aforementioned variances. After factoring in these items, management determined there to be an unknown excess of bank balance over cash fund balance at December 31, 2016 of \$20,872. This difference along with the identified errors was adjusted to the accounting records and financial statements by management.

Failure to reconcile bank accounts and clearly document all reconciling adjustments timely substantially increases the risk of bank overdrafts, theft, and various accounting and financial statement errors.

The Village should ensure bank to book reconciliations are performed monthly for all accounts. Any noted discrepancies should be promptly investigated, documented and corrected in the accounting records.

Officials' Response: Although these issues originated prior to the current fiscal officer and current audit, the Village has ensured that these oversights will not happen in the future. The current Fiscal Officer prepares bank reconciliations for all bank/investment accounts on a monthly basis. In addition, there is a process to ensure the bank/investment balances tie to the cash report for the Village. These changes are a written function of the Fiscal officer position.

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VILLAGE OF MIDDLEFIELD

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 28, 2017