

VILLAGE OF RICHFIELD

SUMMIT COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2019 and 2018





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Village Council
Village of Richfield
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We have reviewed the *Independent Auditor's Report* of the Village of Richfield, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation, results may be reported on at a later date.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 1, 2020

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**VILLAGE OF RICHFIELD
SUMMIT COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

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

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Richfield, Summit County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and changes in financial position or its cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

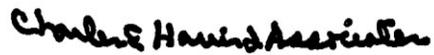
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Richfield, Summit County, Ohio, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of matter

As discussed in Note 13 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, 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.



Charles E. Harris & Associates, Inc.
June 24, 2020

**VILLAGE OF RICHFIELD
SUMMIT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts					
Property and Other Local Taxes	\$ 405,717	\$ 118,220	-	-	\$ 523,937
Payment in Lieu of Taxes	-	-	-	\$ 313,392	313,392
Municipal Income Tax	10,647,478	-	-	3,920	10,651,398
Intergovernmental	191,016	311,197	-	158,699	660,912
Special Assessments	-	-	\$ 28,121	-	28,121
Charges for Services	1,686,657	151,033	-	-	1,837,690
Fines, Licenses and Permits	99,304	4,241	-	-	103,545
Earnings on Investments	86,674	20,281	1,772	2,945	111,672
Gifts and Donations	1,823	4,800	-	-	6,623
Insurance Claims and Refunds	102,637	39,731	-	10,882	153,250
Miscellaneous	31,636	4,965	-	9,844	46,445
<i>Total Cash Receipts</i>	<u>13,252,942</u>	<u>654,468</u>	<u>29,893</u>	<u>499,682</u>	<u>14,436,985</u>
Cash Disbursements					
Current:					
Security of Persons and Property	5,312,126	132,317	-	-	5,444,443
Public Health Services	69,558	24,889	-	-	94,447
Leisure Time Activities	142,145	252,787	-	-	394,932
Community Environment	312,937	-	-	-	312,937
Basic Utility Services	228,898	8,214	-	-	237,112
Transportation	-	2,310,936	-	-	2,310,936
General Government	1,595,698	5,054	-	-	1,600,752
Capital Outlay	-	131,635	-	2,379,769	2,511,404
Debt Service:					
Principal Retirement	-	-	513,193	451,141	964,334
Interest & Fiscal Charges	-	-	68,278	22,596	90,874
<i>Total Cash Disbursements</i>	<u>7,661,362</u>	<u>2,865,832</u>	<u>581,471</u>	<u>2,853,506</u>	<u>13,962,171</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	5,591,580	(2,211,364)	(551,578)	(2,353,824)	474,814
Other Financing Receipts (Disbursements)					
Sale of Capital Asset	459	2,247	-	5,034	7,740
Transfers In	-	2,450,000	567,727	2,635,000	5,652,727
Transfers Out	(5,652,727)	-	-	-	(5,652,727)
Other Financing Uses	-	-	-	(207,777)	(207,777)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,652,268)</u>	<u>2,452,247</u>	<u>567,727</u>	<u>2,432,257</u>	<u>(200,037)</u>
<i>Net Change in Fund Cash Balances</i>	(60,688)	240,883	16,149	78,433	274,777
<i>Fund Cash Balances, January 1</i>	<u>2,124,412</u>	<u>889,194</u>	<u>293,402</u>	<u>5,521,233</u>	<u>8,828,241</u>
Fund Cash Balances, December 31					
Nonspendable	5,500	-	-	-	5,500
Restricted	-	1,130,077	309,551	5,599,666	7,039,294
Assigned	283,135	-	-	-	283,135
Unassigned	1,775,089	-	-	-	1,775,089
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,063,724</u>	<u>\$ 1,130,077</u>	<u>\$ 309,551</u>	<u>\$ 5,599,666</u>	<u>\$ 9,103,018</u>

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

**VILLAGE OF RICHFIELD
SUMMIT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Types Enterprise Fund</u>	<u>Fiduciary Fund Types Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 1,819,055	-	\$ 1,819,055
Fines, Licenses and Permits	12,000	\$ 5,273	17,273
Income Tax	-	10,727	10,727
Miscellaneous	22,191	40,638	62,829
	<hr/>	<hr/>	<hr/>
<i>Total Operating Cash Receipts</i>	1,853,246	56,638	1,909,884
Operating Cash Disbursements			
Personal Services	288,754	-	288,754
Employee Fringe Benefits	109,437	-	109,437
Contractual Services	909,121	55,031	964,152
Supplies and Materials	109,235	333	109,568
Claims	-	181	181
Other	222,563	5,273	227,836
	<hr/>	<hr/>	<hr/>
<i>Total Operating Cash Disbursements</i>	1,639,110	60,818	1,699,928
<i>Operating Income (Loss)</i>	214,136	(4,180)	209,956
Non-Operating Receipts (Disbursements):			
Special Assessments	209,149	-	209,149
Earnings on Investments	16,594	-	16,594
Sale of Capital Assets	13,300	-	13,300
Capital Outlay	(334,570)	-	(334,570)
Other Financing Sources	71,932	-	71,932
	<hr/>	<hr/>	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(23,595)	-	(23,595)
<i>Net Change in Fund Cash Balances</i>	190,541	(4,180)	186,361
<i>Fund Cash Balance, January 1</i>	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balance, December 31</i>	\$ 4,886,899	\$ 193,159	\$ 5,080,058
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See accompanying Notes to the Financial Statements.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Richfield (the Village), Summit County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected seven-member Council directs the Village. The Village provides general governmental services, sewer utilities, park operations, road repair and maintenance, fire protection services, and police services.

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

Public Entity Risk Pool:

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

Jointly Governed Organization:

Richfield Light Industrial/Office JEDD was formed by the Village of Richfield and Richfield Township in accordance with Sections 715.82 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of October 24, 2005. The JEDD Fund is used to account for the income tax collected and distributed from Richfield Township for the extension of water and sewer lines. The Village of Richfield is the fiscal agent for the JEDD.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Bond Retirement Fund This fund is used to account for resources used to repay various bond anticipation notes.

Special Assessment Fund This fund is used to account for the assessments collected from property owners for the purpose of repaying Ohio Water Development Authority loans obtained for installing sewer lines.

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

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

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

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

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

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

Contractor Inspection/Deposit Fund This fund is used to account for contractor deposits to cover field inspection expenses of improvements during construction projects.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2019 budgetary activity appears in Note 3.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,977,710	\$13,253,401	\$275,691
Special Revenue	3,102,947	3,106,715	3,768
Debt Service	597,619	597,620	1
Capital Projects	3,138,374	3,139,716	1,342
Enterprise	2,087,917	2,164,221	76,304

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$13,841,364	\$13,563,377	\$277,987
Special Revenue	3,310,285	3,071,254	239,031
Debt Service	584,227	581,471	2,756
Capital Projects	4,340,423	4,024,761	315,662
Enterprise	2,914,302	2,182,530	731,772

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2019 was as follows:

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments (Continued)

	2019
Demand deposits	<u>\$10,341,776</u>
Certificates of deposit	<u>3,840,900</u>
Total deposits	<u><u>14,182,676</u></u>

The Village also had \$400 of petty cash on hand as of December 31, 2019.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of two (2) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 - Risk Management

Workers' Compensation

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

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018 (latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

	<u>2018</u>
Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2019.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0 percent during calendar year 2019, and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$293,230	0%
Ohio Water Development Authority Loans	523,351	2.93-3.75%
Motorolla Lease Equipment	127,396	2.74%
Street improvement Bonds, Series 2017	1,415,000	2.65%
Manuscript Debt-Debt Service Fund	80,000	0-2.2%
Total	\$2,438,977	

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

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

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

The Ohio Water Development Authority (OWDA) project loans were obtained for the purpose of installing sewer/water lines. These were obtained for the installation of sewer lines and are paid from special assessments collected from property owners. OWDA loan # 4253V was obtained for the Water Main Town Hall installation. It is being paid over an 18-year period in installments of \$40,032 a year. It is collateralized by water and sewer receipts. The OWDA loan # 4666 was obtained for the installation of a sewer extension. It is being paid over a period of 20 years at \$29,375-\$29,553 a year. It is collateralized by property taxes collected by the Village. In 2010, the Village obtained OWDA loan/grant # 5198 for sewer construction in Motor Road. The loan is being paid over a 20-year period at \$12,921 per year.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 - Debt (Continued)

The Village entered into a one-year Taxable Real Estate Acquisition Note on November 30, 2018 with Michael J. Wierzbicki for \$430,000 for acquiring a parcel of land located at 3874 Wheatley Road. The \$430,000 agreement calls for the payment of \$430,000 on November 30, 2019 with interest at the rate of 2.5% per year. General Fund revenue was used to pay off the agreement.

The Village entered into two equipment lease-purchase agreement number 23841 and 3790 with Motorola Credit Corp. for \$428,756 and \$277,800 worth of radio equipment commencing January 1, 2016 and December 30, 2016, respectfully. The \$428,756 agreement calls for seven annual payments of \$66,328 with the first payment made on December 17, 2015. The \$277,800 agreement states the first two years are payment free and the by January 1st, 2019 and 2020 payments of \$141,215.11 each year have to be made. General Fund revenue will be used to pay the agreements. The agreements mature on January 1, 2022 and January 1, 2020, respectfully and have a 2.74% and 3.39% interest rate, respectfully.

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

Year ending December 31:	Manuscript Debt*	OPWC Loans	OWDA Loans	Motorolla Lease	SIN, Series 2017
2020	\$80,000	\$45,113	\$78,948	\$66,328	\$197,498
2021	-	45,113	82,548	66,328	198,258
2022	-	45,113	83,548	-	198,885
2023	-	45,113	66,132	-	199,380
2024	-	45,113	82,548	-	199,743
2025-2029	-	67,665	178,624	-	595,076
2030-2034	-	-	12,921	-	-
2035-2039	-	-	-	-	-
2040-2044	-	-	-	-	-
2045-2049	-	-	-	-	-
Total	<u>\$80,000</u>	<u>\$293,230</u>	<u>\$585,269</u>	<u>\$132,656</u>	<u>\$1,588,840</u>

* Does not include floating interest amounts from Series 2010 Bond Anticipation Notes that is capped at 2.2%.

Note 10 – Contingent Liabilities

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 11 – Jointly Governed Organizations

Richfield Light Industrial Joint Economic Development District

The Village participates in, and is the fiscal agent for the Richfield Light Industrial/Office Joint Economic Development District (the JEDD). The Village of Richfield and Richfield Township formed the JEDD in accordance with Sections 715.72 through 715.82 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of October 24, 2005. The JEDD Board of Directors consists of five members; one Township Trustee; the Mayor or an elected member of Village Council; one representative of business owners in the JEDD; one member representing persons working in the JEDD; and one member appointed by the preceding four members. The JEDD shall facilitate economic development, create or preserve jobs, and employment opportunities and improve the economic welfare of the people.

The Board adopted a resolution to levy an income tax on all income as defined in the Village's income tax ordinance at a rate of two percent in the JEDD in accordance with Section 714.74 of the Ohio Revised Code. Ten percent of the collected income tax will be distributed with five percent going to the Village and five percent going to the Township. The balance of the ninety percent will be distributed in accordance with the JEDD agreement. The JEDD is being handled through an agency fund in the Village's financial records.

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

Note 12 – Other Financing Uses

Other Financing uses in the amount of \$207,777 reported in the Capital Projects Funds in 2019, consists entirely of the Village's distribution of tax increment financing (TIF) distribution made each year to the Revere Local School District and the Cuyahoga Valley Career Center. The distribution is in accordance with an agreement between the Village and the Districts entered into in 2006.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF RICHFIELD
SUMMIT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 423,723	\$ 113,896	-	-	\$ 537,619
Payment in Lieu of Taxes	-	-	-	\$ 274,016	274,016
Municipal Income Tax	11,083,909	-	-	5,879	11,089,788
Intergovernmental	187,843	281,592	-	195,535	664,970
Special Assessments	-	-	\$ 95,793	16,792	112,585
Charges for Services	1,646,629	127,469	-	-	1,774,098
Fines, Licenses and Permits	108,834	933	-	400	110,167
Earnings on Investments	85,423	20,504	3,364	7,915	117,206
Gifts and Donations	3,404	2,850	-	5,000	11,254
Insurance Claims and Refunds	111,975	31,595	-	64	143,634
Miscellaneous	33,423	8,312	-	1,195	42,930
<i>Total Cash Receipts</i>	<u>13,685,163</u>	<u>587,151</u>	<u>99,157</u>	<u>506,796</u>	<u>14,878,267</u>
Cash Disbursements					
Current:					
Security of Persons and Property	5,087,073	122,659	-	-	5,209,732
Public Health Services	70,795	4,963	-	-	75,758
Leisure Time Activities	123,768	236,487	-	-	360,255
Community Environment	277,536	-	-	-	277,536
Basic Utility Services	225,592	9,604	-	-	235,196
Transportation	-	2,371,819	-	-	2,371,819
General Government	1,634,548	5,143	-	-	1,639,691
Capital Outlay	-	192,417	-	2,832,015	3,024,432
Debt Service:					
Principal Retirement	-	-	584,780	20,296	605,076
Interest & Fiscal Charges	-	-	75,914	12,220	88,134
<i>Total Cash Disbursements</i>	<u>7,419,312</u>	<u>2,943,092</u>	<u>660,694</u>	<u>2,864,531</u>	<u>13,887,629</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	6,265,851	(2,355,941)	(561,537)	(2,357,735)	990,638
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	122	1,099	-	70,162	71,383
Transfers In	-	2,236,000	563,245	2,503,787	5,303,032
Transfers Out	(5,303,032)	-	-	-	(5,303,032)
Other Financing Uses	-	-	-	(182,084)	(182,084)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,302,910)</u>	<u>2,237,099</u>	<u>563,245</u>	<u>2,391,865</u>	<u>(110,701)</u>
<i>Net Change in Fund Cash Balances</i>	962,941	(118,842)	1,708	34,130	879,937
<i>Fund Cash Balances, January 1</i>	<u>1,161,471</u>	<u>1,008,036</u>	<u>291,694</u>	<u>5,487,103</u>	<u>7,948,304</u>
Fund Cash Balances, December 31					
Nonspendable	5,500	-	-	-	5,500
Restricted	-	889,194	293,402	5,521,233	6,703,829
Assigned	1,065,680	-	-	-	1,065,680
Unassigned	1,053,232	-	-	-	1,053,232
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,124,412</u>	<u>\$ 889,194</u>	<u>\$ 293,402</u>	<u>\$ 5,521,233</u>	<u>\$ 8,828,241</u>

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

**VILLAGE OF RICHFIELD
SUMMIT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u> <u>Enterprise Fund</u>	<u>Fiduciary Fund Types</u> <u>Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 1,690,691	-	\$ 1,690,691
Fines, Licenses and Permits	7,550	\$ 7,422	14,972
Income Tax	-	14,082	14,082
Miscellaneous	18,656	155,183	173,839
<i>Total Operating Cash Receipts</i>	<u>1,716,897</u>	<u>176,687</u>	<u>1,893,584</u>
Operating Cash Disbursements			
Personal Services	225,276	31,195	256,471
Employee Fringe Benefits	89,359	9,828	99,187
Contractual Services	921,333	194,076	1,115,409
Supplies and Materials	109,359	36,524	145,883
Other	95,358	281,161	376,519
<i>Total Operating Cash Disbursements</i>	<u>1,440,685</u>	<u>552,784</u>	<u>1,993,469</u>
<i>Operating Income (Loss)</i>	276,212	(376,097)	(99,885)
Non-Operating Receipts (Disbursements):			
Property and Other Local Taxes	-	541,565	541,565
Intergovernmental	-	3,164	3,164
Special Assessments	258,821	-	258,821
Earnings on Investments	25,953	2,205	28,158
Capital Outlay	(127,852)	-	(127,852)
Interest and Other Fiscal Charges	-	(178,795)	(178,795)
Other Financing Sources	72,990	-	72,990
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>229,912</u>	<u>368,139</u>	<u>598,051</u>
<i>Income (Loss) before Extraordinary Item</i>	506,124	(7,958)	498,166
Extraordinary Item	-	(3,192,557)	(3,192,557)
Net Change in Fund Cash Balances	506,124	(3,200,515)	(2,694,391)
<i>Fund Cash Balance, January 1</i>	<u>4,190,234</u>	<u>3,397,854</u>	<u>7,588,088</u>
Fund Cash Balance, December 31	<u>\$ 4,696,358</u>	<u>\$ 197,339</u>	<u>\$ 4,893,697</u>

See accompanying Notes to the Financial Statements.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Richfield (the Village), Summit County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected seven-member Council directs the Village. The Village provides general governmental services, sewer utilities, park operations, road repair and maintenance, fire protection services, and police services.

Jointly Governed Organizations and Public Entity Risk Pool

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

Public Entity Risk Pool:

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

Jointly Governed Organizations:

Richfield Light Industrial/Office JEDD was formed by the Village of Richfield and Richfield Township in accordance with Sections 715.82 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of October 24, 2005. The JEDD Fund is used to account for the income tax collected and distributed from Richfield Township for the extension of water and sewer lines. The Village of Richfield is the fiscal agent for the JEDD.

Richfield Joint Recreation District (RJRD) was formed by the Village of Richfield and Richfield Township in accordance with Section 755.14 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of July 4, 2014. The RJRD provides community programming in recreational, educational, social, cultural and athletic areas, and it acquires property for constructing, operating, and maintaining parks, playgrounds, play fields, and to preserve and protect real property with valuable natural features as parks and spaces for governmental, civic, educational or recreational activities for the benefit of all citizens. The Village of Richfield served as the fiscal agent for the RJRD up through September 30, 2018. The RJRD hired a part-time fiscal officer in July 2018 to take on the financial responsibilities.

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Bond Retirement Fund This fund is used to account for resources used to repay various bond anticipation notes.

Special Assessment Fund This fund is used to account for the assessments collected from property owners for the purpose of repaying Ohio Water Development Authority loans obtained for installing sewer lines.

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

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

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

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

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

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

Contractor Inspection/Deposit Fund This fund is used to account for contractor deposits to cover field inspection expenses of improvements during construction projects.

Richfield Joint Recreation District Funds These funds were used to account for the real estate taxes collected for community programming in recreational, educational, social, cultural and athletic areas; and/or to pay the debt service and for capital improvements on property for constructing, operating, and maintaining parks, playgrounds, and play fields for the District, while the Village served as its fiscal agent through September 30, 2018.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,155,522	\$13,685,285	\$529,763
Special Revenue	2,912,708	2,824,250	(88,458)
Debt Service	662,401	662,402	1
Capital Projects	3,339,615	3,080,745	(258,870)
Enterprise	1,923,514	2,074,661	151,147

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$13,116,180	\$12,924,370	\$191,810
Special Revenue	3,326,026	3,191,634	134,392
Debt Service	665,242	660,694	4,548
Capital Projects	4,929,184	4,480,208	448,976
Enterprise	1,871,245	1,849,124	22,121

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2018 was as follows:

	2018
Demand deposits	\$9,880,638
Certificates of deposit	3,840,900
Total deposits	13,721,538

The Village also had \$400 of petty cash on hand as of December 31, 2018.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of two (2) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Workers' Compensation

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

Risk Pool Membership

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

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

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017 (latest information available).

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans (continued)

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2018.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0 percent during calendar year 2018, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$338,343	0%
Ohio Water Development Authority Loans	584,825	2.93-7.21%
Motorolla Lease Equipment	325,143	0-3.39%
Street improvement Bonds, Series 2017	1,575,000	2.65%
Taxable Real Estate Acquisition Note	430,000	2.50%
Manuscript Debt-Debt Service Fund	150,000	0-2.2%
Total	<u><u>\$3,403,311</u></u>	

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

In previous year, the RFIB Series 2015 - Richfield Joint Recreation District (RJRD) was disclosed in the Village old debt since the Village was the RJRD fiscal agent. Currently, the RJRD is a separate entity and the debt is recorded in the RJRD financial statements.

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

The Village has one general obligation bond anticipation note issued in 2010, respectively. This manuscript debt is from the Enterprise Fund to Debt Service Fund in the amount of \$500,000 to be repaid in installments thru 2020. As of December 31, 2018, the outstanding principal is \$150,000. The 2010 note was issued in the principal amount of \$500,000 in anticipation of the issuance of bonds to repay a portion of 2010 maturity of outstanding notes and pay for the costs of the Brecksville Road project and the construction of the administration building. The bond was purchased by the Village Enterprise Fund at a floating interest rate structure. The interest rate determined on the closing date and each redetermination date will be 100% of the MIG1 Note Scale (replacing the Bond Buyer One Year Note Index) for the week preceding the closing date or the redetermination date. The maximum interest on the Note is 2.2% per annum. The initial interest rate will be established in the closing date and will be in effect until the first Redetermination Date. The interest rate will be reset on each redetermination date and will remain in effect until the following redetermination date. The principal will be repaid in installments of \$70,000 a year from 2014 through 2019 and \$80,000 in 2020.

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

The Ohio Water Development Authority (OWDA) project loans were obtained for the purpose of installing sewer/water lines. The OWDA loan #s 1842 and 1843 obtained in 2008 are paid over a period ranging from 9 to 10 years. OWDA loan # 1843 was paid off in 2018. These were obtained for the installation of sewer lines and are paid from special assessments collected from property owners. OWDA loan # 4253 was obtained for the Water Main Town Hall installation. It is being paid over an 18-year period in installments of \$40,032 a year. It is collateralized by water and sewer receipts. The OWDA loan # 4666 was obtained for the installation of a sewer extension. It is being paid over a period of 20 years at \$29,596 a year. It is collateralized by property taxes collected by the Village. In 2010, the Village obtained OWDA loan/grant # 5198 for sewer construction in Motor Road. The loan is being paid over a 20-year period at \$12,921 per year.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

The Village entered into a one-year Taxable Real Estate Acquisition Note on November 30, 2018 with Michael J. Wierzbicki for \$430,000 for acquiring a parcel of land located at 3874 Wheatley Road. The \$430,000 agreement calls for the payment of \$430,000 on November 30, 2019 with interest at the rate of 2.5% per year. General Fund revenue from income tax transferred to Capital Project will be used to pay the agreement.

The Village entered into two equipment lease-purchase agreement number 23841 and 3790 with Motorola Credit Corp. for \$428,756 and \$277,800 worth of radio equipment commencing January 1, 2016 and December 30, 2016, respectfully. The \$428,756 agreement calls for seven annual payments of \$66,328 with the first payment made on December 17, 2015. The \$277,800 agreement states the first two years are payment free and the by January 1st, 2019 and 2020 payments of \$141,215.11 each year have to be made. General Fund revenue will be used to pay the agreements. The agreements mature on January 1, 2022 and January 1, 2020, respectfully and have a 2.74% and 3.39% interest rate, respectfully.

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

Year Ending December 31:	Manuscript Debt *	OPWC Loans	OWDA Loans	Motorolla Leases	Real Estate Note	SIN, Series 2017
2019	\$70,000	\$45,113	\$82,548	\$207,543	\$440,750	\$201,738
2020	80,000	45,113	78,948	207,543	0	197,498
2021	0	45,113	82,548	66,328	0	198,258
2022	0	45,113	83,548	0	0	198,885
2023	0	45,113	66,132	0	0	199,380
2024-2028	0	112,778	248,252	0	0	794,820
2029-2033	0	0	25,842	0	0	0
2034-2038	0	0	0	0	0	0
2039-2043	0	0	0	0	0	0
2044-2045	0	0	0	0	0	0
Total	\$150,000	\$338,343	\$667,818	\$481,414	\$440,750	\$1,790,578

* Does not include floating interest amounts from Series 2010 Bond Anticipation Notes that is capped at 2.2%.

Note 10 – Contingent Liabilities

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 11 – Jointly Governed Organizations

Richfield Light Industrial Joint Economic Development District

The Village participates in, and is the fiscal agent for the Richfield Light Industrial/Office Joint Economic Development District (the JEDD). The Village of Richfield and Richfield Township formed the JEDD in accordance with Sections 715.72 through 715.82 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of October 24, 2005. The JEDD Board of Directors consists of five members; one Township Trustee; the Mayor or an elected member of Village Council; one representative of business owners in the JEDD; one member representing persons working in the JEDD; and one member appointed by the preceding four members. The JEDD shall facilitate economic development, create or preserve jobs, and employment opportunities and improve the economic welfare of the people.

The Board adopted a resolution to levy an income tax on all income as defined in the Village's income tax ordinance at a rate of two percent in the JEDD in accordance with Section 714.74 of the Ohio Revised Code. Ten percent of the collected income tax will be distributed with five percent going to the Village and five percent going to the Township. The balance of the ninety percent will be distributed in accordance with the JEDD agreement. The JEDD is being handled through an agency fund in the Village's financial records.

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

Richfield Joint Recreation District

The Village was the fiscal agent for the Richfield Joint Recreation District (RJRD) through September 30, 2018, since the RJRD hired a fiscal officer in July 2018. The Village of Richfield and Richfield Township formed the RJRD in accordance with Sections 755.14 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of July 4, 2014. The District is a legally separate entity. The RJRD Board of Trustees consists of seven trustees; The Village Council and Richfield Township small each appoint two individuals residing within the respective appointing subdivision to serve on the Board of Trustees and shall each appoint one additional Trustee who may reside inside or outside the District. One at-large Trustee residing within the District shall be appointed by a majority vote of the six subdivision-appointed members of the Board of Trustees.

The voters approved on November 4, 2014 two levies for the RJRD. The first was a .5 mil operations levy for 10 years. The second was a \$7.1 million improvement bond levy at 1.25 mils for 28 years. The RJRD provides community programming in recreational, educational, social, cultural and athletic areas, and it acquires property for constructing, operating, and maintaining parks, playgrounds, play fields, and to preserve and protect real property with valuable natural features as parks and spaces for governmental, civic educational or recreational activities for the benefit of all citizens. The RJRD was handled through an agency fund in the Village's financial records through September 31, 2018.

Note 12 – Other Financing Uses

Other Financing uses in the amount of \$182,084 reported in the Capital Projects Funds in 2018, consists entirely of the Village's distribution of tax increment financing (TIF) distribution made each year to the Revere Local School District and the Cuyahoga Valley Career Center. The distribution is in accordance with an agreement between the Village and the Districts entered into in 2006.

Village of Richfield, Ohio
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 13 – Extraordinary Item

The Extraordinary item in the amount of \$3,192,557 reported in the Agency Funds in 2018, consists entirely of the Village's disbursement of the Richfield Joint Recreation District's (RJRD's) cash balance to the RJRD since the Village ceased to service as the District's fiscal agent on September 31, 2018.

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

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Richfield, Summit County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 24, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

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 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, 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 matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2019-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 24, 2020.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 24, 2020

**VILLAGE OF RICHFIELD
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2019 and 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2019-001 - Noncompliance and Significant Deficiency:

Timely deposit of public money, Parks and Recreation Department

Ohio Rev. Code § 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

The parks and recreation department receives significant amounts of cash and checks each year. During our testing cash collection points, we noted numerous checks collected by the former parks and recreation director that were not deposited in a timely fashion. Some of the checks were held for more than a year, before being deposited and some were not deposited at all. This resulted in a loss of revenue as some checks were never cashed.

We recommend that all money collected by the parks and recreation department be deposited on the business day following the day of receipt, or within 3 business days if less than \$1,000 and can be properly safeguarded (kept in locked safe or lockbox). Further, we recommend the Fiscal Officer put in place policies and procedures to ensure that all money collected at any of the cash collection points be deposited in a timely manner, and properly reported to the Fiscal Officer for recording in the Village's accounting records. At a minimum, the Fiscal Officer should require and document a monthly reconciliation with each department/cash collection point that includes supporting documentation. In addition, we recommend the parks and recreation department use their existing receipt books on a consistent basis to better track its revenue.

Management's Response:

See Corrective Action Plan.

**VILLAGE OF RICHFIELD
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
December 31, 2019 and 2018**

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2017-001	Material weakness – Transactions erroneously recorded.	Partially Corrected	

**VILLAGE OF RICHFIELD
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2019 and 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The Village will reinforce with all the departments that pre-numbered receipt books need to be utilized for all revenue received and then brought to the Finance Department to be deposited within a business day. Departmental reconciliation of the receipt books to the deposits received will be completed at a minimum on a monthly basis	Immediately	Sandy Turk, Finance Director

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF RICHFIELD

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/15/2020

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

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