



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF MIDDLEFIELD  
GEAUGA COUNTY

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GEAUGA COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2020 and 2019, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Income Tax Infrastructure 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.

**Emphasis of Matter**

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 22, 2021

**Village of Middlefield**  
**Geauga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2020*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 4,747,035	\$ 3,380,101	\$ 8,127,136
Cash in segregated accounts	2,668	-	2,668
Total assets	4,749,703	3,380,101	8,129,804
<b>Net Position</b>			
Restricted for:			
Capital projects	514,332	-	514,332
Infrastructure	329,323	-	329,323
Other purposes	1,561,270	-	1,561,270
Unrestricted	2,344,778	3,380,101	5,724,879
Total net position	\$ 4,749,703	\$ 3,380,101	\$ 8,129,804

See accompanying notes to the financial statements.

**Village of Middlefield**  
**Geauga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2020*

	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
<b>Governmental Activities</b>							
General government	\$ 771,385	\$ 41,905	\$ -	\$ -	\$ (729,480)	\$ -	\$ (729,480)
Security of persons and property	1,190,105	13,224	260	-	(1,176,621)	-	(1,176,621)
Public health services	148,983	40,247	160,705	-	51,969	-	51,969
Leisure time activities	186,618	22,380	10,852	-	(153,386)	-	(153,386)
Community environment	69,522	-	-	-	(69,522)	-	(69,522)
Basic utility services	-	30,864	-	-	30,864	-	30,864
Transportation	255,201	9,220	-	152,961	(93,020)	-	(93,020)
Capital outlay	822,690	-	-	-	(822,690)	-	(822,690)
Debt service:							
Principal retirement	854,547	-	-	-	(854,547)	-	(854,547)
Interest and fiscal charges	75,344	-	-	-	(75,344)	-	(75,344)
<b>Total governmental activities</b>	<b>4,374,395</b>	<b>157,840</b>	<b>171,817</b>	<b>152,961</b>	<b>(3,891,777)</b>	<b>-</b>	<b>(3,891,777)</b>
<b>Business-Type Activity</b>							
Water	367,078	778,516	-	-	-	411,438	411,438
Sewer	614,433	853,821	-	-	-	239,388	239,388
Sewer Capital Improvement	10,793	-	-	-	-	(10,793)	(10,793)
Other Enterprise	161,294	161,768	-	-	-	474	474
<b>Total business-type activities</b>	<b>1,153,598</b>	<b>1,794,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>640,507</b>	<b>640,507</b>
<b>Total government</b>	<b>\$ 5,527,993</b>	<b>\$ 1,951,945</b>	<b>\$ 171,817</b>	<b>\$ 152,961</b>	<b>(3,891,777)</b>	<b>640,507</b>	<b>(3,251,270)</b>
<b>General Receipts</b>							
Municipal income taxes levied for:							
General purposes					2,808,120	-	2,808,120
Security of persons and property					695,227	-	695,227
Property taxes levied for:							
General purposes					257,654	-	257,654
Security of persons and property					276,775	-	276,775
Grants and entitlements not restricted							
to specific programs					76,230	-	76,230
Sale of capital assets					12,544	-	12,544
Loan Proceeds					-	10,793	10,793
Earnings on investment					68,057	-	68,057
Miscellaneous					487,156	-	487,156
<b>Total general receipts</b>					<b>4,681,763</b>	<b>10,793</b>	<b>4,692,556</b>
Transfers					283,984	(283,984)	-
<b>Total general receipts and transfers</b>					<b>4,965,747</b>	<b>(273,191)</b>	<b>4,692,556</b>
Change in net position					1,073,970	367,316	1,441,286
Net position beginning of year					3,675,733	3,012,785	6,688,518
Net position end of year					<b>\$ 4,749,703</b>	<b>\$ 3,380,101</b>	<b>\$ 8,129,804</b>

See accompanying notes to the financial statements.



**Village of Middlefield**  
**Geauga County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2020*

	<u>General</u>	<u>Income Tax Infrastructure</u>	<u>Equipment Replacement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 2,314,768	\$ 329,323	\$ 514,332	\$ 1,588,612	\$ 4,747,035
Cash in segregated accounts	-	-	-	2,668	2,668
Total assets	<u>2,314,768</u>	<u>329,323</u>	<u>514,332</u>	<u>1,591,280</u>	<u>4,749,703</u>
<b>Fund Balances</b>					
Nonspendable	4,464	-	-	-	4,464
Restricted	-	329,323	514,332	1,561,270	2,404,925
Committed	-	-	-	30,010	30,010
Assigned	12,656	-	-	-	12,656
Unassigned	<u>2,297,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,297,648</u>
Total fund balances	<u>\$ 2,314,768</u>	<u>\$ 329,323</u>	<u>\$ 514,332</u>	<u>\$ 1,591,280</u>	<u>\$ 4,749,703</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, 2020*

	General	Income Tax Infrastructure	Equipment Replacement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal income taxes	\$ 2,808,120	\$ 695,227	\$ -	\$ -	\$ 3,503,347
Property and other local taxes	257,654	-	-	276,775	534,429
Charges for services	10,375	-	-	83,115	93,490
Fines, licenses and permits	64,264	-	-	85	64,349
Intergovernmental	60,479	-	-	329,417	389,896
Gifts and contributions	-	-	-	260	260
Interest	68,057	-	-	1	68,058
Miscellaneous	373,247	-	-	124,761	498,008
Total receipts	3,642,196	695,227	-	814,414	5,151,837
<b>Disbursements</b>					
Current:					
General government	719,999	-	-	51,386	771,385
Security of persons and property	1,010,608	-	-	179,497	1,190,105
Public health services	-	-	-	148,983	148,983
Leisure time activities	64,071	-	-	122,547	186,618
Community environment	69,522	-	-	-	69,522
Transportation	99,563	-	-	155,638	255,201
Capital outlay	564	669,032	153,094	-	822,690
Debt service:	-	-	-	-	-
Principal retirement	843,268	-	-	11,279	854,547
Interest and fiscal charges	72,036	-	-	3,308	75,344
Total disbursements	2,879,631	669,032	153,094	672,638	4,374,395
Excess of receipts over (under) disbursements	762,565	26,195	(153,094)	141,776	777,442
<b>Other financing sources (uses)</b>					
Sale of capital assets	12,544	-	-	-	12,544
Transfers in	125,000	-	225,346	202,740	553,086
Transfers out	(233,852)	-	-	(35,250)	(269,102)
Total other financing sources (uses)	(96,308)	-	225,346	167,490	296,528
Net change in fund balance	666,257	26,195	72,252	309,266	1,073,970
Fund balances beginning of year	1,648,511	303,128	442,080	1,282,014	3,675,733
Fund balances end of year	\$ 2,314,768	\$ 329,323	\$ 514,332	\$ 1,591,280	\$ 4,749,703

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, 2020*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal income taxes	\$ 2,407,911	\$ 2,604,139	\$ 2,808,120	\$ 203,981
Property and other local taxes	220,934	238,938	257,654	18,716
Charges for services	8,896	9,621	10,375	754
Fines, licenses and permits	55,105	59,596	64,264	4,668
Intergovernmental	51,860	56,086	60,479	4,393
Interest	58,358	63,113	68,057	4,944
Miscellaneous	320,052	346,134	373,247	27,113
<b>Total receipts</b>	<b>3,123,116</b>	<b>3,377,628</b>	<b>3,642,196</b>	<b>264,568</b>
<b>Disbursements</b>				
Current:				
General government	1,115,264	1,127,345	726,468	400,877
Security of persons and property	1,552,163	1,568,977	1,011,058	557,919
Leisure time activities	106,247	107,398	69,208	38,190
Community environment	106,960	108,118	69,672	38,446
Transportation	153,539	155,202	100,013	55,189
Capital outlay	866	875	564	311
Debt service:				
Principal retirement	1,294,574	1,308,598	843,268	465,330
Interest and fiscal charges	110,589	111,787	72,036	39,751
<b>Total disbursements</b>	<b>4,440,200</b>	<b>4,488,300</b>	<b>2,892,287</b>	<b>1,596,013</b>
Excess of receipts over (under) disbursements	(1,317,084)	(1,110,672)	749,909	1,860,581
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	12,544	12,544
Transfers in	1,175,000	1,175,000	1,225,000	50,000
Transfers out	(11,500)	(40,000)	(1,333,852)	(1,293,852)
Other financing uses	(8,400)	(28,000)	-	28,000
<b>Total other financing sources (uses)</b>	<b>1,155,100</b>	<b>1,107,000</b>	<b>(96,308)</b>	<b>(1,203,308)</b>
Net change in fund balance	(161,984)	(3,672)	653,601	657,273
Fund balance at beginning of year	643,229	643,229	643,229	-
Prior year encumbrances appropriated	1,397	1,397	1,397	-
Fund balance at end of year	<u>\$ 482,642</u>	<u>\$ 640,954</u>	<u>\$ 1,298,227</u>	<u>\$ 657,273</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*  
*Income Tax Infrastructure Fund*  
*For the Year Ended December 31, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Municipal income taxes	\$ 649,500	\$ 699,500	\$ 695,227	\$ (4,273)
Total receipts	649,500	699,500	695,227	(4,273)
<b>Disbursements</b>				
Capital outlay	624,000	782,284	771,234	11,050
Total disbursements	624,000	782,284	771,234	11,050
Excess of receipts over (under) disbursements	25,500	(82,784)	(76,007)	6,777
<b>Other financing sources (uses)</b>				
Transfers in	500	500	-	(500)
Net change in fund balance	26,000	(82,284)	(76,007)	6,277
Fund balance at beginning of year	303,128	303,128	303,128	-
Fund balance at end of year	<u>\$ 329,128</u>	<u>\$ 220,844</u>	<u>\$ 227,121</u>	<u>\$ 6,277</u>

See accompanying notes to the financial statements.

**Village of Middlefield**  
**Geauga County**  
*Statement of Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2020*

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 1,333,620	\$ 999,203	\$ 554,463	\$ 492,815	\$ 3,380,101
Total assets	<u>1,333,620</u>	<u>999,203</u>	<u>554,463</u>	<u>492,815</u>	<u>3,380,101</u>
<b>Net Position</b>					
Unrestricted	<u>1,333,620</u>	<u>999,203</u>	<u>554,463</u>	<u>492,815</u>	<u>3,380,101</u>
Total net position	<u>\$ 1,333,620</u>	<u>\$ 999,203</u>	<u>\$ 554,463</u>	<u>\$ 492,815</u>	<u>\$ 3,380,101</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, 2020*

	Water	Sewer	Sewer Capital Improvement	Other Enterprise Fund	Total Enterprise Funds
<b>Operating Receipts</b>					
Charges for services	\$ 768,460	\$ 845,623	\$ -	\$ 161,129	\$ 1,775,212
Other operating receipts	10,056	8,198	-	639	18,893
Total operating receipts	778,516	853,821	-	161,768	1,794,105
<b>Operating Disbursements</b>					
Personal services	151,249	172,891	-	-	324,140
Employee fringe benefits	17,068	46,970	-	-	64,038
Contractual services	137,722	321,025	-	154,700	613,447
Supplies and materials	44,623	54,532	-	6,594	105,749
Total operating disbursements	350,662	595,418	-	161,294	1,107,374
Operating income	427,854	258,403	-	474	686,731
<b>Non-operating receipts (disbursements)</b>					
Loan proceeds	-	-	10,793	-	10,793
Capital outlay	-	(2,599)	(10,793)	-	(13,392)
Principal retirement	(14,402)	(14,403)	-	-	(28,805)
Interest and fiscal charges	(2,014)	(2,013)	-	-	(4,027)
Total non-operating receipts (disbursements)	(16,416)	(19,015)	-	-	(35,431)
In extraordinary item, transfers and advances					
Income before transfers	411,438	239,388	-	474	651,300
<b>Transfers</b>					
Transfers in	-	-	20,144	15,423	35,567
Transfers out	(204,463)	(115,088)	-	-	(319,551)
Total transfers	(204,463)	(115,088)	20,144	15,423	(283,984)
Change in net position	206,975	124,300	20,144	15,897	367,316
Net position beginning of year	1,126,645	874,903	534,319	476,918	3,012,785
Net position end of year	<u>\$ 1,333,620</u>	<u>\$ 999,203</u>	<u>\$ 554,463</u>	<u>\$ 492,815</u>	<u>\$ 3,380,101</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, 2020

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**Note 1 – Reporting Entity**

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

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

***Primary Government***

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

***Jointly Governed Organizations***

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020

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**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.

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

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



**Village of Middlefield**  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

***Basis of Accounting***

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

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 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.

**Village of Middlefield**  
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**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 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 2020, the Village invested in federal agency securities, nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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

**Village of Middlefield**  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2020 were \$68,057, \$50,976 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.

***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.

**Village of Middlefield**  
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Notes to the Basic Financial Statements  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

***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 another financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

***Net Position***

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

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

***Fund Balance***

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

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

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

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

**Village of Middlefield**  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

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

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

***Internal Activity***

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

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

**Note 3 – Budgetary Basis of Accounting**

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

**Village of Middlefield**  
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Notes to the Basic Financial Statements  
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**Note 3 – Budgetary Basis of Accounting (continued)**

<b>Budget Basis Reconciliation</b>	<b>General Fund</b>	<b>Income Tax Infrastructure</b>
Fund Balance, Cash Basis	\$ 2,314,768	\$ 329,323
Outstanding Encumbrances	(12,656)	(102,202)
GASB 54 Adjustment	(1,003,835)	-
Fund Balance, Budget Basis	\$ 1,298,277	\$ 227,121

**Note 4 – Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Village of Middlefield**  
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**Note 4 – Deposits and Investments (continued)**

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

***Deposits***

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Village's bank balance of \$4,420,399 (including nonnegotiable certificates of deposit) was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

**Village of Middlefield**  
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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020

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**Note 4 – Deposits and Investments (continued)**

***Investments***

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

Investment Type	Measurement Value	Investment Maturities		
		Less than 1	1-3	3-5
Star Ohio	\$ 58,789	\$ 58,789	\$ -	\$ -
CDARs	3,744,863	3,744,863	-	-
Total Investments	\$ 3,803,652	\$ 3,803,652	\$ -	\$ -

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

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

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

**Note 5 – Taxes**

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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



**Village of Middlefield**  
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Notes to the Basic Financial Statements  
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**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. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2020, was \$6.45 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2020 property tax receipts were based are as follows:

	<u>2020</u>
Real property	
Residential and agricultural	\$ 48,195,150
Other	50,655,970
Total assessed value	<u>\$ 98,851,120</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 2020, the receipts were allocated to the general fund and the income tax infrastructure 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**  
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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

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

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**Note 7 – Defined Benefit Pension Plans (continued)**

<b>Group A</b> Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

**Village of Middlefield**  
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**Note 7 – Defined Benefit Pension Plans (continued)**

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee ***	10.0 %
 <b>2020 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0
Total Employer	14.0 %
Employee	10.0 %

\*\*\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

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

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**Note 7 – Defined Benefit Pension Plans (continued)**

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

The Village's contractually required contribution was \$87,159 for the year 2020.

***Plan Description – Ohio Police & Fire Pension Fund (OP&F)***

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

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

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

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

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

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 percentage increase, if any, in the consumer price index over the 12 month period ending on September 30<sup>th</sup> 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 3 percent of their base pension or disability benefit.

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

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For the Year Ended December 31, 2020

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**Note 7 – Defined Benefit Pension Plans (continued)**

contributions as follows:

	Police	Firefighters
<b>2020 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2020 Actual Contribution Rates</b>		
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 OP&F was \$140,119 for 2020.

**Note 8 - Postemployment Benefits (continued)**

***Ohio Public Employees Retirement System***

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS CAFR referenced below for additional information.

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.

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020

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**Note 8 - Postemployment Benefits (continued)**

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$0 for 2020.

***Ohio Police and Fire Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020

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**Note 8 - Postemployment Benefits (continued)**

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, 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.

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

The Village's contractually required contribution to OP&F was \$3,593 for 2020.

**Note 9 – Debt**

The Village's long-term debt activity for the year ended December 31, 2020 was as follows:

	Balance at 1/1/2020	Increase	Decrease	Balance at 12/31/2020	Due within one year
OPWC Loans 0%	\$ 512,104	\$ -	\$ (45,392)	\$ 466,712	\$ 90,784
OWDA Loans 0%-2.78%	7,985,753	10,793	(837,958)	7,158,588	847,924
	<u>\$ 8,497,857</u>	<u>\$ 10,793</u>	<u>\$ (883,350)</u>	<u>\$ 7,625,300</u>	<u>\$ 938,708</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, 2020

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**Note 9 – Debt (continued)**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

Year Ending December 31:	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2021	\$ 90,784	\$ 847,924	\$ 76,197
2022	90,784	855,369	68,752
2023	90,784	863,021	61,100
2024	90,784	870,886	53,235
2025	82,748	878,968	45,153
2026-2030	20,828	2,584,447	103,139
2031-2035	-	75,831	33,351
2036-2040	-	70,698	21,978
2041-2045	-	54,696	13,212
2046-2050	-	56,748	4,370
<b>Total</b>	<b>\$ 466,712</b>	<b>\$ 7,158,588</b>	<b>\$ 480,487</b>

**Note 10 – Contingent Liabilities**

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

**Note 11 – Northeast Ohio Public Energy Council**

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village of Middlefield did not contribute to NOPEC during 2020. Financial information can be obtained by contacting Chuck Keiper, Executive Director, at 31320 Solon Road, Suite 20 Solon, Ohio 44139 or on the website [www.nopecinfo.org](http://www.nopecinfo.org).

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020

**Note 12 – Fund Balances**

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

<i>2020 Fund Balances</i>	<i>General</i>	<i>Income Tax Infrastructure</i>	<i>Equipment Replacement</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<u><b>Nonspendable</b></u>					
Unclaimed monies	\$ 4,464	\$ -	\$ -	\$ -	\$ 4,464
Total nonspendable	<u>4,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,464</u>
<u><b>Restricted for</b></u>					
Recreation center	-	-	-	29,838	29,838
Street and highway repair	-	-	-	171,472	171,472
Cemetery	-	-	-	148,010	148,010
Ambulance levy	-	-	-	157,216	157,216
Sick leave	-	-	-	156,497	156,497
Endowment	-	-	-	2,074	2,074
Trust	-	-	-	594	594
Police	-	-	-	156,830	156,830
Economic Development	-	-	-	178,501	178,501
Transmission	-	-	-	23,339	23,339
COVID	-	-	-	65,706	65,706
Capital improvements	-	329,323	514,332	471,193	1,314,848
Total restricted	<u>-</u>	<u>329,323</u>	<u>514,332</u>	<u>1,561,270</u>	<u>2,404,925</u>
<u><b>Committed for</b></u>					
Capital improvements	-	-	-	30,010	30,010
<u><b>Assigned</b></u>					
Encumbrances	12,656	-	-	-	12,656
Total assigned	<u>12,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,656</u>
<u><b>Unassigned</b></u>					
	2,297,648	-	-	-	2,297,648
Total fund balances	<u>\$ 2,314,768</u>	<u>\$ 329,323</u>	<u>\$ 514,332</u>	<u>\$ 1,591,280</u>	<u>\$ 4,749,703</u>

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020

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**Note 13 – Interfund Transactions**

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

Fund	2020	
	Transfers In	Transfers Out
General	\$ 125,000	\$ 233,852
Equipment Replacement	225,346	-
Subtotal Major Governmental Funds	350,346	233,852
Police Levy	-	35,250
Street construction, maintenance, and repair	21,182	-
State highway	20,058	-
Recreation	110,000	-
Cemetery	35,000	-
Sidewalks	15,000	-
Sick Leave	1,500	-
Subtotal Nonmajor Governmental Funds	202,740	35,250
Sewer capital improvements	20,144	-
New well capital improvements	14,362	-
Water revenue	-	204,463
Water emergency	1,061	-
Sewer revenue	-	115,088
Total Enterprise Funds	35,567	319,551
Total	\$ 588,653	\$ 588,653

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.

**Note 14 – COVID-19**

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

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**Village of Middlefield**  
**Geauga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2019*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 3,673,433	\$ 3,012,785	\$ 6,686,218
Cash in segregated accounts	2,300	-	2,300
Total assets	<u>3,675,733</u>	<u>3,012,785</u>	<u>6,688,518</u>
<b>Net Position</b>			
Restricted for:			
Capital projects	984,637	-	984,637
Other purposes	1,042,585	-	1,042,585
Unrestricted	<u>1,648,511</u>	<u>3,012,785</u>	<u>4,661,296</u>
Total net position	<u>\$ 3,675,733</u>	<u>\$ 3,012,785</u>	<u>\$ 6,688,518</u>

See accompanying notes to the financial statements.

**Village of Middlefield**  
**Geauga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2019*

	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
<b>Governmental Activities</b>							
General government	\$ 741,730	\$ 130,695	\$ -	\$ -	\$ (611,035)	\$ -	\$ (611,035)
Security of persons and property	1,086,550	14,210	2,390	-	(1,069,950)	-	(1,069,950)
Public health services	54,157	31,262	-	-	(22,895)	-	(22,895)
Leisure time activities	196,065	37,876	18,122	-	(140,067)	-	(140,067)
Community environment	71,793	39,150	-	-	(32,643)	-	(32,643)
Basic utility services	80	30,962	-	-	30,882	-	30,882
Transportation	272,295	12,560	-	130,118	(129,617)	-	(129,617)
Capital outlay	640,038	-	200	2,540	(637,298)	-	(637,298)
Debt service:							
Principal retirement	862,140	-	-	-	(862,140)	-	(862,140)
Interest and fiscal charges	82,474	-	-	-	(82,474)	-	(82,474)
<b>Total governmental activities</b>	<b>4,007,322</b>	<b>296,715</b>	<b>20,712</b>	<b>132,658</b>	<b>(3,557,237)</b>	<b>-</b>	<b>(3,557,237)</b>
<b>Business-Type Activity</b>							
Water	382,924	772,260	-	-	-	389,336	389,336
Sewer	644,348	920,913	-	-	-	276,565	276,565
Water Emergency	44,055	-	-	-	-	(44,055)	(44,055)
Other Enterprise	155,629	152,763	-	-	-	(2,866)	(2,866)
<b>Total business-type activities</b>	<b>1,226,956</b>	<b>1,845,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>618,980</b>	<b>618,980</b>
<b>Total government</b>	<b>\$ 5,234,278</b>	<b>\$ 2,142,651</b>	<b>\$ 20,712</b>	<b>\$ 132,658</b>	<b>(3,557,237)</b>	<b>618,980</b>	<b>(2,938,257)</b>
<b>General Receipts</b>							
Municipal income taxes levied for:							
General purposes					2,948,020	-	2,948,020
Security of persons and property					574,259	-	574,259
Property taxes levied for:							
General purposes					248,972	-	248,972
Security of persons and property					268,506	-	268,506
Grants and entitlements not restricted							
to specific programs					75,715	-	75,715
Loan proceeds					30,110	35,556	65,666
Sale of capital assets					12,868	-	12,868
Earnings on investment					95,270	-	95,270
Miscellaneous					13,133	-	13,133
<b>Total general receipts</b>					<b>4,266,853</b>	<b>35,556</b>	<b>4,302,409</b>
Transfers					329,556	(329,556)	-
<b>Total general receipts and transfers</b>					<b>4,596,409</b>	<b>(294,000)</b>	<b>4,302,409</b>
Change in net position					1,039,172	324,980	1,364,152
Net position beginning of year, restated					2,636,561	2,687,805	5,324,366
<b>Net position end of year</b>					<b>\$ 3,675,733</b>	<b>\$ 3,012,785</b>	<b>\$ 6,688,518</b>

See accompanying notes to the financial statements.

**Village of Middlefield**  
**Geauga County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2019*

	General	Income Tax Infrastructure	Equipment Replacement Fund	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in pooled cash and cash equivalents	\$ 1,648,511	\$ 303,128	\$ 442,080	\$ 384,997	\$ 894,717	\$ 3,673,433
Cash in segregated accounts	-	-	-	-	2,300	2,300
Total assets	<u>1,648,511</u>	<u>303,128</u>	<u>442,080</u>	<u>384,997</u>	<u>897,017</u>	<u>3,675,733</u>
<b>Fund Balances</b>						
Restricted	-	303,128	442,080	384,997	867,007	1,997,212
Committed	-	-	-	-	30,010	30,010
Assigned	7,942	-	-	-	-	7,942
Unassigned	1,640,569	-	-	-	-	1,640,569
Total fund balances	<u>\$ 1,648,511</u>	<u>\$ 303,128</u>	<u>\$ 442,080</u>	<u>\$ 384,997</u>	<u>\$ 897,017</u>	<u>\$ 3,675,733</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, 2019*

	General	Income Tax Infrastructure	Equipment Replacement Fund	Utility Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal income taxes	\$ 2,948,020	\$ 574,259	\$ -	\$ -	\$ -	\$ 3,522,279
Property and other local taxes	248,972	-	-	-	268,506	517,478
Charges for services	90,845	-	-	30,962	52,758	174,565
Fines, licenses and permits	82,291	-	-	-	709	83,000
Intergovernmental	58,366	-	-	-	149,398	207,764
Gifts and contributions	200	-	-	-	460	660
Interest	95,270	-	-	-	1	95,271
Miscellaneous	13,131	-	2,540	-	57,272	72,943
<b>Total receipts</b>	<b>3,537,095</b>	<b>574,259</b>	<b>2,540</b>	<b>30,962</b>	<b>529,104</b>	<b>4,673,960</b>
<b>Disbursements</b>						
Current:						
General government	732,831	-	-	6,432	2,467	741,730
Security of persons and property	871,305	-	-	-	215,245	1,086,550
Public health services	-	-	-	-	54,157	54,157
Leisure time activities	88,546	-	-	-	107,519	196,065
Community environment	71,773	-	-	-	20	71,793
Basic utility services	80	-	-	-	-	80
Transportation	136,085	-	-	-	136,210	272,295
Capital outlay	1,626	471,131	132,387	2,158	32,736	640,038
Debt service:						
Principal retirement	849,535	-	-	4,570	8,035	862,140
Interest and fiscal charges	78,790	-	-	3,684	-	82,474
<b>Total disbursements</b>	<b>2,830,571</b>	<b>471,131</b>	<b>132,387</b>	<b>16,844</b>	<b>556,389</b>	<b>4,007,322</b>
Excess of receipts over (under) disbursements	706,524	103,128	(129,847)	14,118	(27,285)	666,638
<b>Other financing sources (uses)</b>						
Loan proceeds	-	-	-	2,158	27,952	30,110
Sale of capital assets	12,868	-	-	-	-	12,868
Transfers in	185,000	-	225,198	-	194,093	604,291
Transfers out	(249,485)	-	-	-	(25,250)	(274,735)
Advances in	400,000	600,000	-	-	-	1,000,000
Advances out	(600,000)	(400,000)	-	-	-	(1,000,000)
<b>Total other financing sources (uses)</b>	<b>(251,617)</b>	<b>200,000</b>	<b>225,198</b>	<b>2,158</b>	<b>196,795</b>	<b>372,534</b>
Net change in fund balance	454,907	303,128	95,351	16,276	169,510	1,039,172
Fund balances beginning of year, restated	1,193,604	-	346,729	368,721	727,507	2,636,561
<b>Fund balances end of year</b>	<b>\$ 1,648,511</b>	<b>\$ 303,128</b>	<b>\$ 442,080</b>	<b>\$ 384,997</b>	<b>\$ 897,017</b>	<b>\$ 3,675,733</b>

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, 2019*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal income taxes	\$ 2,558,694	\$ 3,259,677	\$ 2,948,020	\$ (311,657)
Property and other local taxes	245,650	245,650	248,972	3,322
Charges for services	78,848	100,449	90,845	(9,604)
Fines, licenses and permits	71,423	90,991	82,291	(8,700)
Intergovernmental	48,366	48,366	58,366	10,000
Gifts and contributions	174	221	200	(21)
Interest	82,688	105,342	95,270	(10,072)
Miscellaneous	11,397	14,519	13,131	(1,388)
Total receipts	<u>3,097,240</u>	<u>3,865,214</u>	<u>3,537,095</u>	<u>(328,119)</u>
<b>Disbursements</b>				
Current:				
General government	1,079,142	1,270,784	738,648	532,136
Security of persons and property	1,272,950	1,499,009	871,305	627,704
Leisure time activities	129,363	152,336	88,546	63,790
Community environment	105,662	124,426	72,323	52,103
Basic utility services	117	138	80	58
Transportation	201,117	236,833	137,660	99,173
Capital outlay	2,376	2,797	1,626	1,171
Debt service:				
Principal retirement	1,356,254	1,597,107	928,325	668,782
Total disbursements	<u>4,146,980</u>	<u>4,883,430</u>	<u>2,838,513</u>	<u>(2,044,917)</u>
Excess of receipts over (under) disbursements	<u>(1,049,740)</u>	<u>(1,018,216)</u>	<u>698,582</u>	<u>1,716,798</u>
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	12,868	12,868
Transfers in	1,075,000	1,075,000	1,185,000	110,000
Transfers out	(78,600)	(106,600)	(1,249,485)	(1,142,885)
Advances in	-	-	400,000	400,000
Advances out	-	-	(600,000)	(600,000)
Total other financing sources (uses)	<u>996,400</u>	<u>968,400</u>	<u>(251,617)</u>	<u>(1,220,017)</u>
Net change in fund balance	(53,340)	(49,816)	446,965	496,781
Fund balance at beginning of year	<u>195,343</u>	<u>195,343</u>	<u>195,343</u>	<u>-</u>
Prior year encumbrances appropriated	921	921	921	-
Fund balance at end of year	<u>\$ 142,924</u>	<u>\$ 146,448</u>	<u>\$ 643,229</u>	<u>\$ 496,781</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*  
*Income Tax Infrastructure Fund*  
*For the Year Ended December 31, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal income taxes	\$ 480,000	\$ 480,000	\$ 574,259	\$ 94,259
Total receipts	480,000	480,000	574,259	94,259
<b>Disbursements</b>				
Capital outlay	630,000	631,500	471,131	160,369
Total disbursements	630,000	631,500	471,131	160,369
Excess of receipts over (under) disbursements	(150,000)	(151,500)	103,128	254,628
<b>Other financing uses</b>				
Advances in	600,000	600,000	600,000	-
Advances out	-	(400,000)	(400,000)	-
Total other financing sources (uses)	600,000	200,000	200,000	-
Net change in fund balance	450,000	48,500	303,128	254,628
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ 450,000</u>	<u>\$ 48,500</u>	<u>\$ 303,128</u>	<u>\$ 254,628</u>

See accompanying notes to the financial statements.

**Village of Middlefield**  
**Geauga County**  
*Statement of Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2019*

	<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>
<b>Assets</b>						
Equity in pooled cash and cash equivalents	\$ 1,126,645	\$ 874,903	\$ 534,319	\$ 339,298	\$ 137,620	\$ 3,012,785
Total assets	<u>1,126,645</u>	<u>874,903</u>	<u>534,319</u>	<u>339,298</u>	<u>137,620</u>	<u>3,012,785</u>
<b>Net Position</b>						
Unrestricted	<u>1,126,645</u>	<u>874,903</u>	<u>534,319</u>	<u>339,298</u>	<u>137,620</u>	<u>3,012,785</u>
Total net position	<u>\$ 1,126,645</u>	<u>\$ 874,903</u>	<u>\$ 534,319</u>	<u>\$ 339,298</u>	<u>\$ 137,620</u>	<u>\$ 3,012,785</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, 2019*

	Water	Sewer	Sewer Capital Improvement	New Well Capital Improvement	Other Enterprise Fund	Total Enterprise Funds
<b>Operating Receipts</b>						
Charges for services	\$ 770,256	\$ 909,081	\$ -	\$ -	\$ 152,454	\$ 1,831,791
Other operating receipts	2,004	11,832	-	-	309	14,145
Total operating receipts	772,260	920,913	-	-	152,763	1,845,936
<b>Operating Disbursements</b>						
Personal services	135,804	160,692	-	-	-	296,496
Employee fringe benefits	13,688	43,031	-	-	-	56,719
Contractual services	137,083	311,031	38,911	-	147,784	634,809
Supplies and materials	52,144	84,101	-	-	7,845	144,090
Total operating disbursements	338,719	598,855	38,911	-	155,629	1,132,114
Operating income (loss)	433,541	322,058	(38,911)	-	(2,866)	713,822
<b>Non-operating receipts (disbursements)</b>						
Loan proceeds	17,778	17,778	-	-	-	35,556
Capital outlay	(18,165)	(19,453)	(5,144)	-	-	(42,762)
Principal retirement	(26,040)	(26,040)	-	-	-	(52,080)
Total non-operating receipts (disbursements)	(26,427)	(27,715)	(5,144)	-	-	(59,286)
Income (loss) before transfers	407,114	294,343	(44,055)	-	(2,866)	654,536
<b>Transfers</b>						
Transfers in	-	-	30,199	13,856	15,941	59,996
Transfers out	(179,463)	(210,089)	-	-	-	(389,552)
Total transfers	(179,463)	(210,089)	30,199	13,856	15,941	(329,556)
Change in net position	227,651	84,254	(13,856)	13,856	13,075	324,980
Net position beginning of year	898,994	790,649	548,175	325,442	124,545	2,687,805
Net position end of year	<u>\$ 1,126,645</u>	<u>\$ 874,903</u>	<u>\$ 534,319</u>	<u>\$ 339,298</u>	<u>\$ 137,620</u>	<u>\$ 3,012,785</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, 2019

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**Note 1 – Reporting Entity**

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

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

***Primary Government***

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

***Jointly Governed Organizations***

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**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 two categories: governmental, and proprietary.

**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.

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

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

**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.

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

**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.

***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.

***Budgetary Process***

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**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 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 2019, the Village invested in federal agency securities, nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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



**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 2 – Summary of Significant Accounting Policies (continued)**

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2019 were \$95,270, \$76,965 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.

***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.

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Long-Term Obligations***

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

***Net Position***

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

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

***Fund Balance***

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

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

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

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

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

***Internal Activity***

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

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

**Note 3 – Budgetary Basis of Accounting**

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

<b>Budget Basis Reconciliation</b>	
Fund Balance, Cash Basis	\$ 1,648,511
Outstanding Encumbrances	(7,942)
GASB 54 Adjustment	(997,340)
Fund Balance, Budget Basis	\$ 643,229

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 4 – Deposits and Investments**

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

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

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

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

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

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 4 – Deposits and Investments (continued)**

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

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

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

***Deposits***

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Village's bank balance of \$4,225,896 (including nonnegotiable certificates of deposit) was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

***Investments***

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

Investment Type	Measurement Value	Investment Maturities		
		Less than 1	1-3	3-5
Star Ohio	\$ 58,374	\$ 58,374	\$ -	\$ -
CDARs	2,446,620	2,446,620	-	-
Total Investments	<u>\$ 2,504,994</u>	<u>\$ 2,504,994</u>	<u>\$ -</u>	<u>\$ -</u>

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 4 – Deposits and Investments (continued)**

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

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

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

**Note 5 – Taxes**

*Property Taxes*

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2019, was \$6.45 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2019 property tax receipts were based are as follows:

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 5 – Taxes (continued)**

	<u>2019</u>
Real property	
Residential and agricultural	\$ 43,431,490
Other	<u>45,473,920</u>
Total assessed value	<u>\$ 88,905,410</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 2019, 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, 2019

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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 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, 2019

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**Note 7 – Defined Benefit Pension Plans (continued)**

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

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

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

	State and Local
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2019 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$82,689 for year 2019.

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 7 – Defined Benefit Pension Plans (continued)**

***Ohio Police & Fire Pension Fund***

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

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

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

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

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 7 – Defined Benefit Pension Plans (continued)**

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

	Police	Firefighters
<b>2019 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2019 Actual Contribution Rates</b>		
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 OP&F was \$119,268 for 2019.

**Note 8 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 8 - Postemployment Benefits (continued)**

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2019, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2019.

***Ohio Police and Fire Pension Fund***

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

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

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 8 - Postemployment Benefits (continued)**

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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

The Village's contribution to OPF for healthcare for the years ended December 31, 2019, 2018, and 2017 were \$3,058, \$3,191, and \$3,004, respectively. The full amount has been contributed for all three years.

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

**Note 9 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2019 was as follows:

	Balance at 1/1/2019	Increase	Decrease	Balance at 12/31/2019	Due within one year
OPWC Loans 0%	\$ 570,308	\$ 27,951	\$ (86,155)	\$ 512,104	\$ 86,155
OWDA Loans 0%-2.78%	8,776,105	37,714	(828,066)	7,985,753	835,194
	<u>\$ 9,346,413</u>	<u>\$ 65,665</u>	<u>\$ (914,221)</u>	<u>\$ 8,497,857</u>	<u>\$ 921,349</u>

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

The Ohio Water Development Authority (OWDA) Loans were used for the Village’s water and sewer expansion. The OWDA loans will be repaid from income tax revenue. One of the OWDA loans included above is not complete.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019 are as follows:

Year Ending December 31:	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2020	\$ 90,784	\$ 835,194	\$ 75,345
2021	90,784	842,272	68,267
2022	90,784	849,545	60,994
2023	90,784	857,020	53,519
2024	86,766	864,702	45,837
2025-2029	62,202	3,415,653	106,308
2030-2034	-	34,350	6,922
2035-2039	-	31,065	1,953
Total	<u>\$ 512,104</u>	<u>\$ 7,729,801</u>	<u>\$ 419,145</u>

**Note 10 – Contingent Liabilities**

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

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 11 – Northeast Ohio Public Energy Council**

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village of Middlefield did not contribute to NOPEC during 2019. Financial information can be obtained by contacting Chuck Keiper, Executive Director, at 31320 Solon Road, Suite 20 Solon, Ohio 44139 or on the website [www.nopecinfo.org](http://www.nopecinfo.org).

**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

**Note 12 – Fund Balances**

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

<i>2019 Fund Balances</i>	<i>General</i>	<i>Income Tax Infrastructure</i>	<i>Equipment Replacement</i>	<i>Utility Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>Restricted for</u></b>						
Recreation center	\$ -	\$ -	\$ -	\$ -	\$ 19,528	\$ 19,528
Law enforcement	-	-	-	-	114,898	114,898
Street and highway repair	-	-	-	-	132,909	132,909
Cemetery	-	-	-	-	126,748	126,748
Ambulance levy	-	-	-	-	119,148	119,148
Sick leave	-	-	-	-	154,997	154,997
Endowment	-	-	-	-	2,073	2,073
Trust	-	-	-	-	594	594
Guaranteed Deposits	-	-	-	-	13,062	13,062
Economic Development	-	-	-	-	55,500	55,500
Capital improvements	-	303,128	442,080	384,997	127,550	1,257,755
Total restricted	-	303,128	442,080	384,997	867,007	1,997,212
<b><u>Committed for</u></b>						
Capital improvements	-	-	-	-	30,010	30,010
<b><u>Assigned</u></b>						
Encumbrances	7,942	-	-	-	-	7,942
Total assigned	7,942	-	-	-	-	7,942
<b><u>Unassigned</u></b>						
	1,640,569	-	-	-	-	1,640,569
Total fund balances	\$ 1,648,511	\$ 303,128	\$ 442,080	\$ 384,997	\$ 897,017	\$ 3,675,733



**Village of Middlefield**  
**Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019

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**Note 13 – Interfund Transactions**

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

Fund	2019	
	Transfers In	Transfers Out
General	\$ 185,000	\$ 249,485
Equipment replacement	225,198	-
Subtotal major governmental funds	410,198	249,485
Police levy	-	25,250
Street construction, maintenance and repair	23,796	-
State highway	33,797	-
Recreation	80,000	-
Cemetery	40,000	-
Sidewalks	15,000	-
Sick leave	1,500	-
Subtotal nonmajor governmental funds	194,093	25,250
Refuse revenue	15,000	-
Sewer capital improvements	30,199	-
New well capital improvements	13,856	-
Water revenue	-	179,463
Water emergency	941	-
Sewer revenue	-	210,089
Total enterprise funds	59,996	389,552
Total	\$ 664,287	\$ 664,287

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.

**Note 14 - Change in Accounting Principle/Restatement of Fund Balance**

The Village implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, for 2019. The implementation caused a restatement of the beginning fund balance of the Village by increasing the Special Revenue balance and decreasing the Agency/Custodial balance by \$13,062.

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# OHIO AUDITOR OF STATE KEITH FABER



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

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

Village of Middlefield  
Geauga County  
14860 North State Avenue  
P.O. Box 1019  
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, 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 22, 2021, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

***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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

November 22, 2021

**VILLAGE OF MIDDLEFIELD  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Material Weakness – Financial Statement Adjustments**

In our audit engagement letter, as required by **AU-C Section 210**, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in **AU-C Section 210 paragraphs .A14 & .A16**.

Due to the use of incorrect information, the following errors were identified in 2020 and were adjusted to the budgetary basis financial statements by management:

- General Fund Original Beginning Balance, Budgeted Original Receipt, Budgeted Original Expenditures, Final Beginning Balance, Budgeted Final Receipts, Budgeted Final Expenditures, Actual Beginning Balance, Actual Receipts and Actual Expenditures were understated by \$310,041, \$2,600,000, \$2,702,950, \$310,041, \$2,797,703, \$2,723,295, \$310,041, \$2,808,466, and \$2,578,383, respectively.
- Income Tax Infrastructure Budgeted Original Expenditures, Budgeted Original Other Financing Sources, Budgeted Final Receipts, and Budgeted Final Expenditures were understated by \$449,000, \$500, \$49,500, and \$158,784, respectively and Income Tax Infrastructure Budgeted Original Receipts was understated \$500.

Due to the use of incorrect amounts, the following errors were identified in 2019 and were adjusted to the budgetary basis financial statements by management:

- General Fund Budgeted Original Receipts, Budgeted Original Expenditures, Budgeted Final Receipts, Budgeted Final Expenditures, and Actual Receipts were understated by \$2,617,334, \$2,625,640, \$3,132,648, \$3,091,571 and \$21,015, respectively, and Original Beginning Balance, Final Beginning Balance, and Actual Beginning Balance were each overstated by \$997,340.
- Income Tax Infrastructure Budgeted Original Receipt, Budgeted Original Expenditures, Budgeted Final Receipts, Budgeted Final Expenditures, Actual Receipt and Actual Disbursements were understated by \$1,080,000, \$630,000, \$1,080,000, \$1,031,500, \$1,174,259, and \$871,131, respectively.

Additionally, for the 2019 submission, the Village failed to include a Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual - Budget Basis for the Income Tax Infrastructure Fund. This statement was subsequently prepared and added to the Village's financial statements as approved by management.

**FINDING NUMBER 2020-001 – (Continued)**

Management should review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and ensure more accurate financial reporting

**Officials' Response:** The errors in our annual report filed via the Hinkle System, which have caused this to meet this level, were due to oversights and errors by our convertor. The convertor in writing has stated "It does appear that these are not correct. I am not quite sure how this happened but we will make any adjustments necessary, hopefully it does not have a bad effect on the audit". We would have desirably had more time to review these financials but based on the due date and date/time in which we received the financials we did not have adequate time. When choosing between being late filing your annual report or depending on a professional service to have properly, accurately, and professionally reviewed them, we chose the latter. I know that 2020/2021 has been a difficult time for everyone due to COVID-19. Many of us were put into positions of taking on work for others, or doing work that we would not normally do, but to avoid this happening in the future we have already begun the process of hiring a new convertor.

**OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issues related to Findings for Recovery. This issues did not impact our GAGAS report.

**FINDING NUMBER 2020-002**

**Material Weakness - Village Administrator and Police Chief Overpayment - Finding For Recovery Repaid Under Audit**

Ohio Rev. Code § 117.28 requires the Auditor of State to issue a Finding for Recovery when "an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated..."

The Council approved a new contract for the Village Administrator at the January 9, 2020 council meeting with a pay increase to be effective as of January 1, 2020. The new hourly rate for the contract was incorrectly calculated resulting in a \$135.08 overpayment per pay period. This pay rate was used for a total of 25 pay periods spanning from February 2020 to December 2020, resulting in a total overpayment of \$3,377.

The Council also approved a new contract for the Police Chief at the January 9, 2020 council meeting with a pay increase to be effective as of January 1, 2020. The new hourly rate for the contract was incorrectly calculated resulting in a \$151.96 overpayment per pay period. This pay rate was used for a total of 26 pay periods spanning from Mid-January 2020 to December 2020, resulting in a total overpayment of \$3,950.

The overpayment of the Village Administrator and Police Chief was not authorized by law and could have been avoided had the Village correctly calculated the hourly rate for the new approved contracts.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Village Administrator Leslie McCoy and Police Chief Joseph Tucholski in the amounts of \$3,377 and \$3,950, respectively, and in favor of the Village of Middlefield's General Fund.

**FINDING NUMBER 2020-002 – (Continued)**

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Fiscal Officer Nicholas Giardina was responsible for entering the hourly rate into the accounting system during the time period these overpayments were incurred. Fiscal Officer Nicholas Giardina is hereby jointly and severally liable in the amount of \$7,327 and in favor of the Village of Middlefield's General Fund.

Fiscal Officer, Nicholas Giardina, repaid the amount of \$7,327 to the Village on October 21, 2021. As such, this constitutes a Finding for Recovery Repaid Under Audit.

**Official Response:** Management acknowledged a miscalculation of pay rates occurred during fiscal year 2020 in regards to two salaried employees. This happened in part due to there being 27 pays versus the normal 26 pays. The 27 pay year only happens once every 11 years. The employees and Fiscal officer did not purposefully, willfully or maliciously receive/give overpayment. The Fiscal Officer, when immediately notified of the finding, wrote a check back the Village of Middlefield for the overpayment on behalf of the two employees.

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF MIDDLEFIELD**

**GEAUGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/21/2021**

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](http://www.ohioauditor.gov)