



Dave Yost • Auditor of State



VILLAGE OF RICHFIELD  
SUMMIT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2013 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2013 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2012 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2012 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings .....	21
Schedule of Prior Audit Findings.....	27

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Richfield, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

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

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

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Richfield, Summit County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Village restated its General Fund, Special Revenue Funds', Capital Projects Funds', Enterprise Funds', and Agency Funds' cash fund balances for fund-type classification revisions.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 5, 2014

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$454,909	\$104,944			\$559,853
Payments in Lieu of Taxes				\$182,567	182,567
Municipal Income Tax	8,546,410			14,582	8,560,992
Intergovernmental	235,092	265,158		37,939	538,189
Special Assessments			\$485,751		485,751
Charges for Services	1,233,813	97,034		21,628	1,352,475
Fines, Licenses and Permits	134,735	24,169		438	159,342
Earnings on Investments	17,887	45			17,932
Gifts and Donations	19,226				19,226
Insurance Claims and Refunds	52,921	14,970			67,891
Miscellaneous	69,694	25,419	40	74,801	169,954
<i>Total Cash Receipts</i>	<u>10,764,687</u>	<u>531,739</u>	<u>485,791</u>	<u>331,955</u>	<u>12,114,172</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	4,027,952	117,453			4,145,405
Public Health Services	70,472	109,925			180,397
Leisure Time Activities	79,764	223,395			303,159
Community Environment	199,915				199,915
Basic Utility Services	190,350	9,881		995	201,226
Transportation		1,774,468		6,943	1,781,411
General Government	1,157,262	7,048			1,164,310
Capital Outlay				802,995	802,995
Debt Service:					
Principal Retirement			1,535,103	22,802	1,557,905
Interest and Fiscal Charges			220,693	15,167	235,860
<i>Total Cash Disbursements</i>	<u>5,725,715</u>	<u>2,242,170</u>	<u>1,755,796</u>	<u>848,902</u>	<u>10,572,583</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,038,972</u>	<u>(1,710,431)</u>	<u>(1,270,005)</u>	<u>(516,947)</u>	<u>1,541,589</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		1,750,000	1,157,587	967,000	3,874,587
Transfers Out	(3,874,587)				(3,874,587)
Other Financing Uses				(119,553)	(119,553)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,874,587)</u>	<u>1,750,000</u>	<u>1,157,587</u>	<u>847,447</u>	<u>(119,553)</u>
<i>Net Change in Fund Cash Balances</i>	1,164,385	39,569	(112,418)	330,500	1,422,036
<i>Fund Cash Balances, January 1</i>	<u>2,212,266</u>	<u>645,099</u>	<u>223,564</u>	<u>1,837,632</u>	<u>4,918,561</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		627,000	111,146	164,785	902,931
Committed		57,668		2,003,347	2,061,015
Assigned	20,381				20,381
Unassigned	3,356,270				3,356,270
<i>Fund Cash Balances, December 31</i>	<u>\$3,376,651</u>	<u>\$684,668</u>	<u>\$111,146</u>	<u>\$2,168,132</u>	<u>\$6,340,597</u>

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,350,485		\$1,350,485
Fines, Licenses and Permits	12,889	\$120,490	133,379
Income Taxes		49,334	49,334
Miscellaneous	17,573	5,000	22,573
<i>Total Operating Cash Receipts</i>	<u>1,380,947</u>	<u>174,824</u>	<u>1,555,771</u>
<b>Operating Cash Disbursements</b>			
Personal Services	166,637		166,637
Employee Fringe Benefits	41,404		41,404
Contractual Services	745,034	41,664	786,698
Supplies and Materials	288,671	1,181	289,852
Other		131,989	131,989
<i>Total Operating Cash Disbursements</i>	<u>1,241,746</u>	<u>174,834</u>	<u>1,416,580</u>
<i>Operating Income (Loss)</i>	<u>139,201</u>	<u>(10)</u>	<u>139,191</u>
<b>Non-Operating Receipts</b>			
Interest	992		992
<i>Net Change in Fund Cash Balances</i>	140,193	(10)	140,183
<i>Fund Cash Balances, January 1</i>	<u>2,627,150</u>	<u>111,771</u>	<u>2,738,921</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,767,343</u></u>	<u><u>\$111,761</u></u>	<u><u>\$2,879,104</u></u>

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$402,168	\$105,799			\$507,967
Payments in Lieu of Taxes				\$181,726	181,726
Municipal Income Tax	7,859,820			13,920	7,873,740
Intergovernmental	300,716	267,540		571,157	1,139,413
Special Assessments			\$472,921		472,921
Charges for Services	1,308,938	119,335		20,354	1,448,627
Fines, Licenses and Permits	107,879	12,570			120,449
Earnings on Investments	6,338	115			6,453
Gifts and Donations	14,041				14,041
Insurance Claims and Refunds	10,478	25,631		2,471	38,580
Miscellaneous	47,845	775			48,620
<i>Total Cash Receipts</i>	<u>10,058,223</u>	<u>531,765</u>	<u>472,921</u>	<u>789,628</u>	<u>11,852,537</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	4,178,367	115,767			4,294,134
Public Health Services	70,549	2,319			72,868
Leisure Time Activities	83,442	198,244			281,686
Community Environment	172,404				172,404
Basic Utility Services	250,055	8,163			258,218
Transportation		1,780,676			1,780,676
General Government	1,162,302	3,475			1,165,777
Capital Outlay				1,502,928	1,502,928
Debt Service:					
Principal Retirement			1,496,558	22,141	1,518,699
Interest and Fiscal Charges			279,805	15,824	295,629
<i>Total Cash Disbursements</i>	<u>5,917,119</u>	<u>2,108,644</u>	<u>1,776,363</u>	<u>1,540,893</u>	<u>11,343,019</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,141,104</u>	<u>(1,576,879)</u>	<u>(1,303,442)</u>	<u>(751,265)</u>	<u>509,518</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets				20,000	20,000
Transfers In		1,619,656	1,191,444	581,760	3,392,860
Transfers Out	(3,392,860)				(3,392,860)
Advances In	165,000				165,000
Advances Out				(165,000)	(165,000)
Other Financing Uses				(119,002)	(119,002)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,227,860)</u>	<u>1,619,656</u>	<u>1,191,444</u>	<u>317,758</u>	<u>(99,002)</u>
<i>Net Change in Fund Cash Balances</i>	913,244	42,777	(111,998)	(433,507)	410,516
<i>Fund Cash Balances, January 1, Restated</i>	<u>1,299,022</u>	<u>602,322</u>	<u>335,562</u>	<u>2,271,139</u>	<u>4,508,045</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		577,078	223,564	133,491	934,133
Committed		68,021		1,704,141	1,772,162
Assigned	8,440				8,440
Unassigned	2,203,826				2,203,826
<i>Fund Cash Balances, December 31</i>	<u>\$2,212,266</u>	<u>\$645,099</u>	<u>\$223,564</u>	<u>\$1,837,632</u>	<u>\$4,918,561</u>

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,197,126		\$1,197,126
Fines, Licenses and Permits	8,450	\$95,804	104,254
Income Taxes		39,286	39,286
Miscellaneous	13,308	500	13,808
<i>Total Operating Cash Receipts</i>	<u>1,218,884</u>	<u>135,590</u>	<u>1,354,474</u>
<b>Operating Cash Disbursements</b>			
Personal Services	123,361		123,361
Employee Fringe Benefits	44,096		44,096
Contractual Services	629,502	39,771	669,273
Supplies and Materials	228,643	720	229,363
Other		94,044	94,044
<i>Total Operating Cash Disbursements</i>	<u>1,025,602</u>	<u>134,535</u>	<u>1,160,137</u>
<i>Operating Income (Loss)</i>	<u>193,282</u>	<u>1,055</u>	<u>194,337</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(43,420)		(43,420)
Interest	1,225		1,225
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(42,195)</u>		<u>(42,195)</u>
<i>Net Change in Fund Cash Balances</i>	151,087	1,055	152,142
<i>Fund Cash Balances, January 1, Restated</i>	<u>2,476,063</u>	<u>110,716</u>	<u>2,586,779</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,627,150</u></u>	<u><u>\$111,771</u></u>	<u><u>\$2,738,921</u></u>

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

The Village participates in a jointly governed organization and a public entity risk pool. Notes 9 and 11 provide additional information for these organizations. These organizations are:

Jointly Governed Organization:

Richfield Light Industrial/Office JEDD was formed by the Village of Richfield and Richfield Township in accordance with Sections 715.72 and 715.82 of the Revised Code for their mutual benefit and for the benefit of their residents and of the State of Ohio as of October 24, 2005. The JEDD Fund is used to account for the income tax collected and distributed from Richfield Township for the extension of water and sewer lines. The Village of Richfield is the fiscal agent for the JEDD.

Public Entity Risk Pool:

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

**3. Debt Service Funds**

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

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

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

**4. Capital Project Funds**

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

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting (continued)**

**5. Enterprise Funds**

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

Sewer Operations Fund - This fund receives charges for services from residents to cover sewer service costs.

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

**6. Fiduciary Funds**

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

Joint Economic Development District Fund - This fund is used to account for the income tax collected and distributed from Richfield Township for the extension of sewer and water lines. The Village of Richfield is fiscal agent for the District. See Note No. 11 for additional information.

Mayor's Court Fund- This fund is used to account for court costs and fines collected from the Mayor's Court and disbursed to the Village, State of Ohio, and other local governments.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

VILLAGE OF RICHFIELD  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

E. **Budgetary Process (continued)**

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

F. **Fund Balance**

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

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (continued)**

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. Cash Fund Balance Restatements**

The Income Tax Fund, which was previously reported as a Special Revenue Fund, was reclassified as part of the General Fund. The Sewer Capital Projects Fund was reclassified as part of the Enterprise Funds. The Mayor's Court activity was not previously recorded on the financial statements; however, the ending cash balance was recorded in the General Fund. The financial statements were adjusted to reflect the mayor's court activity in an Agency Fund and the fund balance was adjusted from the General Fund to an Agency Fund. The revisions had the following effects on fund balances previously reported:

	General Fund	Special Revenue Funds	Agency Funds	Capital Projects Funds	Enterprise Funds
Cash Fund Balance, December 31, 2011	\$792,532	\$1,113,753	\$105,775	\$3,655,912	\$1,091,290
Fund Reclassifications:					
Income Tax Fund	511,431	(511,431)			
Mayor's Court Fund	(4,941)		4,941		
Sewer Capital Projects				(1,384,773)	1,384,773
Cash Fund Balance, January 1, 2012	<u>\$1,299,022</u>	<u>\$602,322</u>	<u>\$110,716</u>	<u>\$2,271,139</u>	<u>\$2,476,063</u>

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$2,509,856	\$2,179,365
Certificates of deposit	3,829,395	4,422,667
Total deposits	6,339,251	6,602,032
Repurchase agreement	2,880,000	1,055,000
Total deposits and investments	\$9,219,251	\$7,657,032

The Village also had \$450 of petty cash on hand as of December 31, 2013 and 2012.

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**4. Budgetary Activity**

Budgetary activity for the years ended December 31 as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,809,566	\$10,764,687	\$955,121
Special Revenue	2,285,425	2,281,739	(3,686)
Debt Service	1,628,737	1,643,378	14,641
Capital Projects	1,532,463	1,298,955	(233,508)
Enterprise	1,255,996	1,381,939	125,943
Total	\$16,512,187	\$17,370,698	\$858,511

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,962,395	\$9,620,683	\$341,712
Special Revenue	2,389,510	2,246,611	142,899
Debt Service	1,755,978	1,755,796	182
Capital Projects	1,147,654	1,076,455	71,199
Enterprise	1,396,052	1,241,746	154,306
Total	\$16,651,589	\$15,941,291	\$710,298

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,116,666	\$10,058,223	(\$58,443)
Special Revenue	1,958,382	2,151,421	193,039
Debt Service	1,652,937	1,664,365	11,428
Capital Projects	1,277,749	1,391,388	113,639
Enterprise	1,289,749	1,220,109	(69,640)
Total	<u>\$16,295,483</u>	<u>\$16,485,506</u>	<u>\$190,023</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,367,927	\$9,318,419	\$49,508
Special Revenue	2,158,051	2,132,079	25,972
Debt Service	1,777,244	1,776,363	881
Capital Projects	1,992,209	1,662,973	329,236
Enterprise	1,404,305	1,191,856	212,449
Total	<u>\$16,699,736</u>	<u>\$16,081,690</u>	<u>\$618,046</u>

**5. Property Tax**

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

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

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

**6. Local Income Tax**

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

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond Anticipation Notes	\$830,000	0.19-4.53%
Ohio Public Works Commission Loans	579,532	0%
Ohio Water Development Authority Loans	2,177,251	2.93-8.04%
Total	<u>\$3,586,783</u>	

The Village has two general obligation bond anticipation notes, issued in 2006 and 2010, respectively. The 2006 note was issued in the principal amount of \$1,100,000 in anticipation of the issuance of bonds to pay the costs of various capital projects. The 2010 note was issued in the principal amount of \$500,000 in anticipation of the issuance of bonds to repay a portion of 2010 maturity of outstanding notes and pay for the costs of the Brecksville Road project and the construction of the administration building. The bond was purchased by the Village Enterprise Fund at a floating interest rate structure. The interest rate determined on the closing date and each redetermination date will be 100% of the MIG1 Note Scale (replacing the Bond Buyer One Year Note Index) for the week preceding the closing date or the redetermination date. The maximum interest on the Note is 2.2% per annum. The initial interest rate will be established in the closing date and will be in effect until the first Redetermination Date. The interest rate will be reset on each redetermination date and will remain in effect until the following redetermination date. The principal will be repaid in installments of \$70,000 a year from 2014 through 2019 and \$80,000 in 2020.

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

The Ohio Water Development Authority (OWDA) project loans were obtained for the purpose of installing sewer/water lines. The OWDA loan #s 1842, 1843, and 1844 obtained in 2008 are paid over a period ranging from 9 to 10 years. These were obtained for the installation of sewer lines and are paid from special assessments collected from property owners. OWDA loan # 4253V was obtained for the Water Main Town Hall installation. It is being paid over an 18 year period in installments of \$40,032 a year. It is collateralized by water and sewer receipts. The OWDA loan #4666 was obtained for the installation of a sewer extension. It is being paid over a period of 20 years at \$29,596 a year. It is collateralized by property taxes collected by the Village. In 2010, the Village obtained OWDA loan/grant # 5198 for sewer construction in Motor Street. The loan is being paid over a 20 year period at \$12,921 per year.

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Debt**

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

Year ending December 31:	General Obligation Anticipation Notes*	OWDA Loans	OPWC Loans
2014	\$192,873	\$662,476	\$51,362
2015	187,475	659,609	51,362
2016	252,492	282,087	48,237
2017	70,000	167,971	45,113
2018	70,000	168,128	45,113
2019-2023	150,000	393,725	203,007
2024-2028		248,252	135,338
2029-2030		25,841	
Total	<u>\$922,840</u>	<u>\$2,608,089</u>	<u>\$579,532</u>

\* Does not include floating interest amounts from Series 2010 Bond Anticipation Notes.

**8. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and until June 30, 2013, OP&F participants contributed 10% of their wages. Beginning July 1, 2013 OP&F participants contributed 10.75% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5 % of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**9. Risk Management**

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

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. Risk Management (Continued)**

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**10. Pending Litigation**

A Village employee was terminated on June 22, 2012 and the termination was appealed through arbitration, according to the employee's union agreement. The employee was seeking reinstatement and lost wages and benefits. In May 2014, the arbitrator ruled in favor of the employee, and the employee was reinstated with back pay and benefits (including pension and Medicare) calculated to be approximately \$140,000. The employee was compensated in August 2014 for the majority of the lost wages and the payment was made from the Village's General Fund.

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

**11. Jointly Governed Organizations**

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

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

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

**12. Other Financing Uses**

Other financing uses in the amount of \$119,553 and \$119,002 reported in the Capital Projects Funds in 2013 and 2012, respectively, consists entirely of the Village's distribution of tax increment financing (TIF) distribution made each year to the Revere Local School District. The distribution is in accordance with an agreement between the Village and the District entered into in 2006.

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**13. Subsequent Events**

On June 3, 2014, the Village voted to form the Richfield Joint Recreation District with Richfield Township. The District was formed under the provisions of Ohio Revised Code Section 755.14 and is a legally separate entity. The purpose of the District is to create programming in recreational, educational, social, cultural, and athletic areas, and to acquire property for constructing, operating, and maintaining parks, playgrounds, and play fields. The District is governed by seven Trustees; three Trustees are appointed by the Village of Richfield; three Trustees within the District are appointed by Richfield Township; and the remaining Trustee is appointed by the Board.

The Village acts as the fiscal agent for the District and provided an initial \$20,000 to the District for start-up costs. The District requested a .5 mil property tax levy on the November 2014 ballot for operations. The District also requested a 1.25 mil property tax levy for improvement bonds. Both levies were approved so the District will repay the \$20,000 in start-up funds to the Village.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Richfield, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and restated its General Fund's, Special Revenue Funds', Capital Projects Funds', Enterprise Funds' and Agency Funds' cash fund balances.

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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-003 be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as finding 2013-004.

***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 5, 2014

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2013-001**

**Material Weakness - Fund Type Reclassifications**

**Governmental Accounting Standards Board (GASB) Statement 54** defines *special revenue funds* as funds used to account for resources restricted or committed to expenditures for specified purposes other than capital projects or debt service funds. Restricted resources are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Committed resources are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

**Auditor of State Bulletin 2011-004** indicates when municipal income taxes are enacted with or without voter approval and no constraints are placed on the use of the revenue, the income tax revenue should be included in the General Fund.

Additionally, **GASB Statement 54** defines *capital projects funds* as funds used to account for financial resources which are restricted, committed, or assigned to expenditure for capital outlays. However, capital projects funds should exclude those types of capital projects financed by proprietary funds.

The Village has established a special revenue fund for income tax collection. The fund provides income tax revenue to other funds through interfund transfers, with some administrative expenditures charged to the fund. However, the income tax revenue collected does not meet the definition of restricted or committed resources, as defined by GASB 54. Therefore, the activity of the Income Tax Fund should be included in the General Fund for financial reporting purposes.

The Village also has a sewer capital projects fund which includes resources derived from interest, tap-fees, interfund transfers and Ohio Water Development Authority (OWDA) loans. Since the sewer capital project fund includes proprietary fund resources and relates to proprietary fund activities it should be combined with the Sewer enterprise fund for financial reporting purposes.

As a result, in 2012 beginning fund balance in the Special Revenue Funds and General Fund opinion units were restated, with fund balance in the Special Revenue Funds opinion unit decreasing by \$511,431 and the fund balance in the General Fund increasing by the same. Additionally in 2012 beginning fund balance in the Capital Projects Funds and Enterprise Funds opinion units were restated by the Village, with fund balance in the Capital Projects Funds opinion unit decreasing by \$1,384,733 and the fund balance in the Enterprise Fund increasing by the same.

### FINDING NUMBER 2013-001 (Continued)

#### Fund Type Reclassifications (Continued)

The activity in the Income Tax Fund and Sewer Capital Projects Funds were reclassified resulting in the following adjustments made by the Village:

- For 2013, revenues and other financing sources in the Special Revenue Funds were decreased by \$8,548,453 and disbursements and other financing uses were decreased by \$7,730,163;
- For 2013, revenues and other financing sources in the General Fund increased by \$5,098,453 (Special Revenue Funds revenues and other financing sources less \$3,450,000 in eliminated intrafund transfers) and disbursements and other financing uses increased by \$4,280,163 (Special Revenue Funds disbursements and other financing uses, less \$3,450,000 in eliminated intrafund transfers);
- For 2012, revenues and other financing sources in the Special Revenue Funds were decreased by \$7,861,873 and disbursements and other financing uses were decreased by \$6,646,173;
- For 2012, revenues and other financing sources in the General Fund increased by \$4,941,207 (Special Revenue Funds revenues and other financing sources less \$2,920,666 in eliminated intrafund transfers) and disbursements and other financing uses increased by \$3,725,507 (Special Revenue Funds expenditures and other financing uses, less \$2,920,666 in eliminated intrafund transfers);
- For 2012, disbursements in the Enterprise Funds increased by \$43,420 and disbursements in the Capital Projects Funds decreased by corresponding amounts.

To help ensure more accurate financial reporting, the Village should report the income tax fund's activity within the General Fund and sewer (related) capital projects funds within the Enterprise Funds for financial reporting purposes, pursuant to GASB 54 and Auditor of State Bulletin 2011-004 guidance.

**Officials' Response:** For financial reporting purposes, the Village will report the income tax fund activity within the General Fund and the sewer capital project funds within the Enterprise Fund. However, since income tax revenue comprises over 70% of our revenue sources it will be maintained in a Special Revenue Fund from an accounting standpoint as initially set up for better tracking purposes. The same will hold true for the Enterprise Fund. Reclassifying the income tax fund and the sewer capital project fund were not mentioned in the previous audit reports.

### FINDING NUMBER 2013-002

#### Material Weakness- Mayor's Court Activity

Mayor's Court receipts, disbursements and cash fund balances should be accounted for in an Agency Fund and should be reflected on the Village's annual financial statements, accordingly. Total court fines and costs collected should be initially recorded in an Agency Fund. The Village's share should then be recorded as an Agency Fund disbursement and a General Fund receipt. Additionally, fines and costs distributed to the State should also be recorded as Agency Fund disbursements, and any residual Agency Fund cash balance should represent court collections which have yet to be distributed at year-end. These procedures allow for the entire activity of the Village to be included on the Village's accounting records and financial statements.

### **FINDING NUMBER 2013-002 (Continued)**

#### **Material Weakness- Mayor's Court Activity (Continued)**

The Village maintained a separate accounting system to record Mayor's Court activity in 2012 and 2013. The activity was not included on the Village's annual financial reports, resulting in material adjustments to the financial statements.

Since the Mayor's Court collects fines and costs on behalf-of other entities, the activity should be recorded in an agency fund by the Village for financial reporting purposes. Therefore, adjustments to include Mayor's Court receipts of \$120,490 and \$95,804 for 2013 and 2012, respectively, and adjustments to include Mayor's Court disbursements of \$131,081 and \$89,354 for 2013 and 2012, respectively, were made to the agency fund opinion unit by the Village.

Additionally, the Village had been recognizing the ending cash balance for the Mayor's Court in the General Fund at the end of each year. The Village would record an adjustment to fund balance in the General Fund. The result was an overstatement of cash in the amount of \$800 and \$11,391 in the General Fund for 2013 and 2012, respectively, and a corresponding understatement of cash in the agency fund opinion unit. The financial statements and accounting records were adjusted by the Village for this item.

The Village should establish an agency fund to account for Mayor's Court activity. The Village should record revenue and disbursements for the Mayor's Court in the agency fund on a monthly basis and report the activity in the agency fund for financial reporting purposes.

**Officials' Response:** The Village will establish an agency fund to account for the Mayor's Court activity. We will record the receipts and disbursements on a monthly basis through this account and deposit the Village's revenue as a receipt in the General Fund. Establishing an agency fund for the Mayor's Court activity was not mentioned in the previous audit reports.

### **FINDING NUMBER 2013-003**

#### **Significant Deficiency-Bank Reconciliation**

A necessary step in the internal control over financial reporting is to reconcile the bank balance(s) to the accounting record's cash balance each month. Bank reconciliation means accounting for the differences between the bank statement balance(s) and the accounting record's cash and investment balances at a specific point in time.

Regarding the December 31, 2013 and 2012 bank reconciliations:

- There was a \$3,933 bank over book reconciling item for the income tax bank account that was unidentified each year. This item was adjusted by the Village to the financial statements and accounting records.
- The Village's bank reconciliations contained several outstanding checks for various bank accounts which were dated as far back as 2004 and totaled \$10,915.

Failure to resolve unreconciled differences and continuing to carry old reconciling items on the bank reconciliation could lead to financial statement errors and increases risk of theft and fraud.

### FINDING NUMBER 2013-003 (Continued)

#### Significant Deficiency-Bank Reconciliation (Continued)

The Village should maintain support for all reconciling items and resolve any differences on the bank reconciliation in a timely manner. Additionally, the Village should develop a written policy for removing old or stale-dated checks from the accounting system, in accordance with the guidance in Auditor of State Bulletin 91-11. The bulletin indicates that, pursuant to Ohio Rev. Code Section 9.39, unclaimed money shall be deposited to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the General Fund. The Village should also consider listing the names of the individuals on their website to clear stale dated items.

**Officials' Response:** The \$3,933.10 was identified as check number 3251 and it was listed as an outstanding check that was actually voided in the Income Tax system but not in the Fund Balance accounting system since the Income Tax system reflects outstanding checks and voided checks in the same manner. Once identified as a voided check, the item was voided in the accounting system and the financial statements adjusted. Stale dated checks (over a year old) will be moved on an annual basis to the Unclaimed Monies Fund and a listing of the names of the individuals/companies will be posted on the website. Stale dated checks to be removed in 2014 from all prior year's total \$3,302.76.

### FINDING NUMBER 2013-004

#### Noncompliance- Expenditure Certification

**Ohio Rev. Code § 5705.41(D)** provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **Then and Now Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

## FINDING NUMBER 2013-004 (Continued)

### Noncompliance- Expenditure Certification (Continued)

- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

We noted the following exceptions:

- Council has not adopted a maximum amount a “blanket” purchase order may not exceed through formal resolution.
- Expenditures were not certified prior to incurring the obligation in 26% (9 out of 35) transactions tested. None of the above were used for the items found to be in non-compliance.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments do not exceed the budgetary spending limitations of the Village. Failure to properly certify disbursements can result in overspending of funds.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. For situations where a purchase order cannot be obtained prior to incurring an invoice, the

Village should use "then and now certificates," certifying the Village had adequate funds at the time of the commitment and for the current payment. Council should formally adopt a resolution for the maximum amount "blanket" purchase orders may not exceed pursuant to Ohio Rev. Code § 5705.41(D).

**Officials' Response:** The Village automated the purchase order process in 2013 so that any payment for goods or services required a purchase order before payment could be processed. Thus payment cannot be made without having the funds encumbered first. The problem lies in the time and the use of the correct purchase order (Then and Now Certificate, Blanket Certificate, or Super Blanket Certificate). Although it has been stressed with Directors that a purchase order is required prior to making a purchase, such has not been the case and in those instances the Then and Now Certificates are now being used. Also Ordinance No. 28-2014 adopted May 6, 2014 states that purchases for expenditures up to \$15,000 may be made to the extent there are appropriations in place. Purchases between \$15,000 and \$25,000 may be made to the extent there are appropriations in place provided that at least two quotations are obtained prior to purchase. Purchases between \$25,000 and \$50,000 may be made to the extent there are appropriations in place and the approval of a majority of Council. Purchases over \$50,000 shall be directed by a Resolution of Council and then advertised for bid.

**This page intentionally left blank.**

**VILLAGE OF RICHFIELD  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Material Weakness and Noncompliance- Ohio Admin. Code § 117-2-02(A)- Audit reclassifications were made for several incorrectly recorded revenue line-items.	No	Similar comments were repeated as Finding 2013-001 and 2013-002.
2011-02	Significant Deficiency- Bank reconciliations were not performed on a timely-basis and detailed outstanding check lists were not maintained each month.	No	Similar comment repeated as Finding 2013-003.
2011-03	Noncompliance- Ohio Rev. Code § 5705.41(D)- The Village did not properly certify the availability of funds in 15 of 68 disbursement transactions tested.	No	Similar comment repeated as Finding 2013-004.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**VILLAGE OF RICHFIELD**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 4, 2014**