

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Members of Council
Village of Northfield

We have reviewed the Independent Auditor's Report of the Village of Northfield, Summit County, prepared by Gary B. Fink & Associates, Inc. for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 11, 2004

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**VILLAGE OF NORTHFIELD, OHIO
SUMMIT COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Northfield, Summit County
10455 Northfield Road
Northfield, OH 44067

We have audited the accompanying financial statements of Village of Northfield, Summit County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Village of Northfield as of December 31, 2003 and December 31, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

April 22, 2004

Village of Northfield, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts					
Property Tax and Other Local Taxes	\$210,444	\$164,448	\$0	\$17,641	\$392,533
Municipal Income Taxes	739,679	0	0	0	739,679
Intergovernmental	299,813	232,059	598,588	2,257	1,132,717
Charges for Services	0	19,814	0	0	19,814
Fines, Licenses and Permits	213,195	12,459	0	0	225,654
Earnings on Investments	5,303	798	0	0	6,101
Miscellaneous	31,476	190	0	0	31,666
Total Cash Receipts	1,499,910	429,768	598,588	19,898	2,548,164
Cash Disbursements					
Current:					
Security of Persons and Property	714,443	631,206	0	17,705	1,363,354
Public Health Services	33,443	0	0	0	33,443
Leisure Time Activities	60,022	0	0	0	60,022
Community Environment	4,505	0	0	0	4,505
Transportation	251,784	110,197	0	0	361,981
General Government	424,606	29,417	0	0	454,023
Debt Service:					
Redemption of Principal	37,175	53,908	0	0	91,083
Interest and Other Fiscal Charges	4,174	31,215	0	0	35,389
Capital Outlay	0	0	598,588	0	598,588
Total Cash Disbursements	1,530,152	855,943	598,588	17,705	3,002,388
Excess/(Deficiency) of Cash Receipts Over/ (Under) Cash Disbursements Before Other Financing Sources/(Uses)	(30,242)	(426,175)	0	2,193	(454,224)
Other Financing Sources/(Uses)					
Transfers In	8,350	0	0	0	8,350
Advances In	35,000	35,000	0	0	70,000
Advances Out	(35,000)	(35,000)	0	0	(70,000)
Total Other Financing Sources/(Uses)	8,350	0	0	0	8,350
Total Receipts Over/(Under) Disbursements	(21,892)	(426,175)	0	2,193	(445,874)
Fund Cash Balances, January 1, 2003	143,909	575,914	0	678	720,501
Fund Cash Balances, December 31, 2003	\$122,017	\$149,739	\$0	\$2,871	\$274,627
Reserve For Encumbrances	\$19,850	\$1,166	\$0	\$0	\$21,016

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

Village of Northfield, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$303,007	\$0	\$303,007
Miscellaneous	0	14,250	14,250
Total Operating Cash Receipts	<u>303,007</u>	<u>14,250</u>	<u>317,257</u>
Operating Cash Disbursements			
Personal Services	81,599	0	81,599
Contractual Services	92,700	500	93,200
Supplies and Materials	20,351	0	20,351
Capital Outlay	84,962	0	84,962
Total Operating Cash Disbursements	<u>279,612</u>	<u>500</u>	<u>280,112</u>
Operating Income	<u>23,395</u>	<u>13,750</u>	<u>37,145</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Financing Sources	0	210,731	210,731
Other Financing Uses	0	(209,857)	(209,857)
Redemption of Principal	(72,773)	0	(72,773)
Interest and Other Fiscal Charges	(5,864)	0	(5,864)
Total Non-Operating Receipts	<u>(78,637)</u>	<u>874</u>	<u>(77,763)</u>
Net Income (Loss) Before Non-Operating Cash Disbursements	(55,242)	14,624	(40,618)
Non-Operating Cash Disbursements			
Transfers Out	0	(8,350)	(8,350)
Net Income (Loss)	(55,242)	6,274	(48,968)
Fund Cash Balances, January 1, 2003	<u>64,875</u>	<u>34,203</u>	<u>99,078</u>
Fund Cash Balances, December 31, 2003	<u>\$9,633</u>	<u>\$40,477</u>	<u>\$50,110</u>
Reserve For Encumbrances	<u>\$813</u>	<u>\$0</u>	<u>\$813</u>

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

Village of Northfield, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts					
Property Tax and Other Local Taxes	\$199,069	\$165,083	\$0	\$15,808	\$379,960
Municipal Income Taxes	675,832	0	0	0	675,832
Intergovernmental	247,885	680,114	258,425	1,985	1,188,409
Charges for Services	0	27,167	0	0	27,167
Fines, Licenses and Permits	215,391	14,085	0	0	229,476
Earnings on Investments	14,639	1,800	0	0	16,439
Miscellaneous	129,339	5,341	0	0	134,680
Total Cash Receipts	1,482,155	893,590	258,425	17,793	2,651,963
Cash Disbursements					
Current:					
Security of Persons and Property	652,560	174,566	0	25,929	853,055
Public Health Services	33,276	0	0	0	33,276
Leisure Time Activities	29,495	0	0	0	29,495
Community Environment	5,788	0	0	0	5,788
Transportation	204,269	140,220	0	0	344,489
General Government	445,977	25,253	0	0	471,230
Debt Service:					
Principal Payments	43,541	27,761	0	0	71,302
Interest Payments	6,352	20,925	0	0	27,277
Capital Outlay	90,370	163,890	258,425	0	512,685
Total Cash Disbursements	1,511,628	552,615	258,425	25,929	2,348,597
Total Receipts Over/(Under) Disbursements	(29,473)	340,975	0	(8,136)	303,366
Fund Cash Balances, January 1, 2002	173,382	234,939	0	8,814	417,135
Fund Cash Balances, December 31, 2002	<u>\$143,909</u>	<u>\$575,914</u>	<u>\$0</u>	<u>\$678</u>	<u>\$720,501</u>
Reserve For Encumbrances	<u>\$10,967</u>	<u>\$24,484</u>	<u>\$0</u>	<u>\$0</u>	<u>\$35,451</u>

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

Village of Northfield, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$287,265	\$0	\$287,265
Miscellaneous	0	5,500	5,500
Total Operating Cash Receipts	<u>287,265</u>	<u>5,500</u>	<u>292,765</u>
Operating Cash Disbursements			
Personal Services	58,700	0	58,700
Contractual Services	169,477	3,750	173,227
Supplies and Materials	5,859	0	5,859
Capital Outlay	301,047	0	301,047
Total Operating Cash Disbursements	<u>535,083</u>	<u>3,750</u>	<u>538,833</u>
Operating Income (Loss)	<u>(247,818)</u>	<u>1,750</u>	<u>(246,068)</u>
Non-Operating Cash Receipts			
Intergovernmental Receipts	200,000	0	200,000
Other Financing Sources	0	235,614	235,614
Other Financing Uses	0	(240,043)	(240,043)
Total Non-Operating Receipts	<u>200,000</u>	<u>(4,429)</u>	<u>195,571</u>
Net (Loss)	<u>(47,818)</u>	<u>(2,679)</u>	<u>(50,497)</u>
Fund Cash Balances, January 1, 2002	<u>112,693</u>	<u>36,882</u>	<u>149,575</u>
Fund Cash Balances, December 31, 2002	<u>\$64,875</u>	<u>\$34,203</u>	<u>\$99,078</u>
Reserve For Encumbrances	<u>\$6,516</u>	<u>\$0</u>	<u>\$6,516</u>

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Village of Northfield, Summit County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including maintenance of roads, sanitary sewer/storm sewer facilities, park operations (leisure time activities), building, zoning and safety services and police, fire protection and emergency medical services.

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

B. Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all agencies, departments and organizations making up the Village of Northfield (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Village, as the primary government, is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's government board and 1.) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2.) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes.

Based on the above definitions, the Village has determined that there were no component units required to be included in the financial statements.

C. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie., when an encumbrance is approved).

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

D. Investments and Inactive Funds

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

Investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer. Investments in repurchase agreements are valued at cost.

E. Fund Accounting

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Fire Rescue/Ambulance Levy Fund – This fund receives real estate taxes and tangible personal property tax money and charges for services for the operation of the fire department and Village ambulance.

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

State Highway Improvement Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Capital Projects Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village's only Capital Projects Fund is the Construction Fund which receives proceeds from the Ohio Public Works Commission.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Enterprise Fund – This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village’s only Enterprise Fund is the Sanitary Sewer Fund which receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Fund (Trust and Agency Funds) – Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following significant fiduciary funds:

Expendable Trust – Police, Disability and Pension Fund – This fund accounts for property taxes levied for the payment of current employer contribution for police disability and pension benefits.

Agency – Mayor’s Court Fund – This fund receives and distributes fines collected by the Mayor’s Court.

F. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Finance Director, approved by Council and submitted to the County Auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Auditor calculates the estimated revenues available to the Village. He prepares a Certificate of Estimated Resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The Certificate is approved by the County Budget Commission and sent to the Village Finance Director.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget serves as the basis for the annual appropriation measure.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

On or about January 1, the Finance Director sends the County Auditor a certificate which includes the actual unencumbered balances from the preceding year. The County Auditor prepares an amended certificate, submits it to the County Budget Commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The certificates issued during 2003 and 2002.

3. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budget control is at the object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

G. Property, Plant and Equipment

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

H. Unpaid Vacation and Sick Leave

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

I. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	(\$2,273)	(\$6,988)
Certificates of Deposit	0	200,000
Cash on Hand	1,943	1,500
Total Deposits	<u>(330)</u>	<u>194,512</u>
STAR Ohio	67	67
Repurchase agreement	325,000	625,000
Total Investments	<u>325,067</u>	<u>625,067</u>
 Total Deposits and Investments	 <u>\$324,737</u>	 <u>\$819,579</u>

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Investments - The Village has invested in repurchase agreements. These investments are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the name of the Village. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,519,058	\$1,508,260	(\$10,798)
Special Revenue	481,414	429,768	(51,646)
Capital Projects	598,588	598,588	0
Enterprise	311,586	303,007	(8,579)
Expendable Trust	19,973	19,898	(75)
Total	<u>\$2,930,619</u>	<u>\$2,859,521</u>	<u>(\$71,098)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,661,445	\$1,530,152	\$131,293
Special Revenue	940,177	855,943	84,234
Capital Projects	598,588	598,588	0
Enterprise	362,786	358,249	4,537
Expendable Trust	36,323	17,705	18,618
Total	<u>\$3,599,319</u>	<u>\$3,360,637</u>	<u>\$238,682</u>

2002 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,457,401	\$1,482,155	\$24,754
Special Revenue	977,004	893,590	(83,414)
Capital Projects	871,954	258,425	(613,529)
Enterprise	451,921	487,265	35,344
Expendable Trust	19,528	17,793	(1,735)
Total	<u>\$3,777,808</u>	<u>\$3,139,228</u>	<u>(\$638,580)</u>

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY** (continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,577,283	\$1,511,628	\$65,655
Special Revenue	1,070,971	552,615	518,356
Capital Projects	871,954	258,425	613,529
Enterprise	554,300	535,083	19,217
Expendable Trust	26,000	25,929	71
Total	\$4,100,508	\$2,883,680	\$1,216,828

4. **PROPERTY TAX**

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

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

Tangible personal property tax is assessed to the property owners, who must file a list of such property to the County by each April 30.

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

5. **INCOME TAX**

The Village levies and collects an income tax of 1.5% on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. The Village has contracted with the Central Collection Agency (CCA) for collection of income taxes. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax to the Village at least quarterly and to file a return annually. The Village received approximately \$740,000 and \$676,000 of income taxes in 2003 and 2002, respectively.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

6. **DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$38,000	5.60%
Fire Construction Bonds	466,894	5.75%
Sanitary Sewer Bonds	133,333	5.88%
OPWC Loan	331,437	0.00%
Rescue Unit Lease	16,491	5.00%
Fire Truck Note	39,468	5.44%
Total	<u>\$1,025,623</u>	

The General Obligation Bonds relate to a \$300,000 general street improvement project. The bond payments have been made in annual installments since December 1, 1995. The annual payments including interest total \$40,500 and will be fully retired on December 31, 2004.

The Fire Construction Bonds relate to a \$500,000 fire station construction project. The bond payments have been made in semi-annual payments including interest total \$25,099 and will fully retired on April 30, 2017.

The Sanitary Sewer System Improvement Bonds relate to a \$200,000 sanitary sewer improvement project. The bond payments have been made in annual installments since August 1, 2003. The annual payments including interest total \$72,530 and will be fully retired on August 1, 2005.

The Ohio Public Works Commission (OPWC) Loan relates to a \$348,880 general street reconstruction project. The loan payments have been made in semi-annual installments since July 1, 2003. The semi-annual payments total \$8,722 and will be fully retired on January 1, 2023. Thirty-five percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue Street Construction, Maintenance and Repair Fund.

The Rescue Unit Lease relates to the lease for a rescue unit used by the Village Fire Department. The lease payments are made monthly in installments of \$763, including interest, over seven years. The lease payments are scheduled through December 1, 2005.

The Fire Truck Note relates to the purchase of a fire truck used by the Village Fire Department. The note payments are made in annual installments which began on June 2, 2002. The annual payments including interest total \$14,437 and will be fully retired on June 1, 2006.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

6. **DEBT** (continued)

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

Year Ending December 31,	General Obligation Bonds	Fire Construction Bonds	Sanitary Sewer Bonds	OPWC Loan	Rescue Unit Lease	Fire Truck Note
2004	\$40,128	\$50,198	\$72,530	\$17,443	\$9,150	\$14,437
2005	0	50,198	75,530	17,443	9,150	14,437
2006	0	50,198	0	17,443	0	14,437
2007	0	50,198	0	17,443	0	0
2008	0	50,198	0	17,443	0	0
Thereafter	0	451,782	0	244,222	0	0
Total	\$40,128	\$702,772	\$148,060	\$331,437	\$18,300	\$43,311

7. **RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries.

8. **RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

9. **JOINTLY GOVERNED ORGANIZATION**

The Northfield-Macedonia Cemetery, City of Macedonia, Northfield Village, Northfield Center Township and Sagamore Hills Township is a jointly governed organization of four local communities. The jointly governed organization was formed based on the boundaries in relation to the cemetery. Each of the communities contributes a nominal fee for the maintenance of the cemetery. This fee is calculated based on the community's tax value. The Cemetery Board consists of three Board members appointed by the respective communities. One of the four communities rotates in not appointing a member each year. During fiscal years 2003 and 2002, the Village's fees were \$12,963 and \$12,767, respectively.

10. **CONTINGENT LIABILITIES**

The Village is defendant in a lawsuit. Management believes that the resolution of this matter will not materially affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Village Council
Village of Northfield, Summit County
10455 Northfield Road
Northfield, OH 44067

We have audited the financial statements of Village of Northfield, Summit County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated April 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated April 22, 2004.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

April 22, 2004

VILLAGE OF NORTHFIELD
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2001-30977-001	ORC Section 5705-41(D)	Yes	Finding No Longer Valid
2001-30977-002	Sewer Billings	Yes	Finding No Longer Valid

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF NORTHFIELD

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
JUNE 24, 2004**