

VILLAGE OF NORTHFIELD

SUMMIT COUNTY

INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND DECEMBER 31, 2010



Dave Yost • Auditor of State

Village Council
Village of Northfield
10455 Northfield Road
Northfield, Ohio 44067

We have reviewed the *Independent Accountants' Report* of the Village of Northfield, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 3, 2014

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VILLAGE OF NORTHFIELD
SUMMIT COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Northfield
Summit County
10455 Northfield Road
Northfield, Ohio 44067

To the Village Council:

We have audited the accompanying financial statements of the Village of Northfield, Summit County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1B, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Northfield, Summit County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1B describes.

As described in Note 1F, during 2010 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

September 14, 2012

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$469,317	\$323,677	\$792,994
Municipal Income Tax	1,015,749	0	1,015,749
Intergovernmental	222,272	484,393	706,665
Charges for Services	0	625,678	625,678
Fines, Licenses and Permits	222,002	10,886	232,888
Earnings on Investments	66	56	122
Miscellaneous	102,498	200	102,698
<i>Total Cash Receipts</i>	<u>2,031,904</u>	<u>1,444,890</u>	<u>3,476,794</u>
Cash Disbursements			
Current:			
Security of Persons and Property	975,952	726,021	1,701,973
Public Health Services	35,889	0	35,889
Leisure Time Activities	74,779	0	74,779
Community Environment	4,510	0	4,510
Transportation	319,900	82,213	402,113
General Government	609,429	27,218	636,647
Capital Outlay	0	467,024	467,024
Debt Service:			
Principal Retirement	0	174,132	174,132
Interest and Fiscal Charges	0	547	547
<i>Total Cash Disbursements</i>	<u>2,020,459</u>	<u>1,477,155</u>	<u>3,497,614</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,445</u>	<u>(32,265)</u>	<u>(20,820)</u>
Other Financing Receipts (Disbursements)			
Transfers-In	13,948	0	13,948
Debt Proceeds	0	90,311	90,311
<i>Total Other Financing Receipts (Disbursements)</i>	<u>13,948</u>	<u>90,311</u>	<u>104,259</u>
<i>Net Change in Fund Cash Balances</i>	25,393	58,046	83,439
<i>Fund Cash Balances, January 1</i>	<u>314,076</u>	<u>200,601</u>	<u>514,677</u>
Fund Cash Balances, December 31			
Restricted	0	258,647	258,647
Unassigned	339,469	0	339,469
<i>Fund Cash Balances, December 31</i>	<u>\$339,469</u>	<u>\$258,647</u>	<u>\$598,116</u>

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

**VILLAGE OF NORTHFIELD
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, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$265,363	\$0	\$265,363
<i>Total Operating Cash Receipts</i>	<u>265,363</u>	<u>0</u>	<u>265,363</u>
Operating Cash Disbursements			
Personal Services	54,194	0	54,194
Contractual Services	90,017	0	90,017
Supplies and Materials	19,674	0	19,674
Capital Outlay	15,498	0	15,498
<i>Total Operating Cash Disbursements</i>	<u>179,383</u>	<u>0</u>	<u>179,383</u>
<i>Operating Income</i>	<u>85,980</u>	<u>0</u>	<u>85,980</u>
Non-Operating Receipts (Disbursements)			
Other Financing Sources	0	196,433	196,433
Other Financing (Uses)	0	(205,285)	(205,285)
Transfers-Out	0	(13,948)	(13,948)
Principal Retirement	(89,193)	0	(89,193)
Interest and Other Fiscal Charges	(6,862)	0	(6,862)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(96,055)</u>	<u>(22,800)</u>	<u>(118,855)</u>
<i>Net Change in Fund Cash Balance</i>	(10,075)	(22,800)	(32,875)
<i>Fund Cash Balance, January 1</i>	<u>60,260</u>	<u>29,668</u>	<u>89,928</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$50,185</u></u>	<u><u>\$6,868</u></u>	<u><u>\$57,053</u></u>

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$243,481	\$297,037	\$0	\$540,518
Municipal Income Tax	1,116,312	0	0	1,116,312
Intergovernmental	248,202	225,109	0	473,311
Charges for Services	0	102,208	0	102,208
Fines, Licenses and Permits	238,268	13,691	0	251,959
Earnings on Investments	3,177	58	0	3,235
Miscellaneous	126,899	54	0	126,953
<i>Total Cash Receipts</i>	<u>1,976,339</u>	<u>638,157</u>	<u>0</u>	<u>2,614,496</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,001,864	395,367	0	1,397,231
Public Health Services	35,289	0	0	35,289
Leisure Time Activities	85,916	0	0	85,916
Community Environment	4,023	0	0	4,023
Transportation	376,300	108,385	0	484,685
General Government	636,313	4,782	0	641,095
Capital Outlay	0	0	167,861	167,861
Debt Service:				
Principal Retirement	13,306	132,727	0	146,033
Interest and Fiscal Charges	0	19,748	0	19,748
<i>Total Cash Disbursements</i>	<u>2,153,011</u>	<u>661,009</u>	<u>167,861</u>	<u>2,981,881</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(176,672)</u>	<u>(22,852)</u>	<u>(167,861)</u>	<u>(367,385)</u>
Other Financing Receipts (Disbursements)				
Transfers-In	0	50,200	0	50,200
Transfers-Out	(50,200)	0	0	(50,200)
Advances-In	25,000	25,000	0	50,000
Advances-Out	(25,000)	(25,000)	0	(50,000)
Debt Proceeds	49,896	0	167,861	217,757
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(304)</u>	<u>50,200</u>	<u>167,861</u>	<u>217,757</u>
<i>Net Change in Fund Cash Balances</i>	<u>(176,976)</u>	<u>27,348</u>	<u>0</u>	<u>(149,628)</u>
<i>Fund Cash Balances, January 1</i>	<u>491,052</u>	<u>173,253</u>	<u>0</u>	<u>664,305</u>
Fund Cash Balances, December 31				
Restricted	0	200,601	0	200,601
Assigned	14,677	0	0	14,677
Unassigned	299,399	0	0	299,399
<i>Fund Cash Balances, December 31</i>	<u>\$314,076</u>	<u>\$200,601</u>	<u>\$0</u>	<u>\$514,677</u>

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

**VILLAGE OF NORTHFIELD
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, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$283,911	\$0	\$283,911
<i>Total Operating Cash Receipts</i>	<u>283,911</u>	<u>0</u>	<u>283,911</u>
Operating Cash Disbursements			
Personal Services	56,369	0	56,369
Contractual Services	119,468	0	119,468
Supplies and Materials	10,875	0	10,875
Capital Outlay	120,634	0	120,634
<i>Total Operating Cash Disbursements</i>	<u>307,346</u>	<u>0</u>	<u>307,346</u>
<i>Operating Loss</i>	<u>(23,435)</u>	<u>0</u>	<u>(23,435)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	148,794	0	148,794
Other Financing Sources	0	255,377	255,377
Other Financing (Uses)	0	(255,937)	(255,937)
Principal Retirement	(75,188)	0	(75,188)
Interest and Other Fiscal Charges	(5,692)	0	(5,692)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>67,914</u>	<u>(560)</u>	<u>67,354</u>
<i>Net Change in Fund Cash Balance</i>	44,479	(560)	43,919
<i>Fund Cash Balance, January 1</i>	<u>15,781</u>	<u>30,228</u>	<u>46,009</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$60,260</u></u>	<u><u>\$29,668</u></u>	<u><u>\$89,928</u></u>

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Northfield, Summit County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including maintenance of roads, sanitary sewer/storm sewer facilities, park operations, building and zoning, police, fire protection and emergency medical services.

The Village participates in a jointly governed organization. Note 10 to the financial statements provides additional information for this entity. This organization is:

Jointly Governed Organization:
The Northfield Macedonia Union Cemetery

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.

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 property tax money and charges for services for the operation of the fire department and EMS services.

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

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village only had the following capital project fund:

Construction Fund – This fund receives proceeds from the Ohio Public Works Commission for various road projects.

4. Enterprise Fund

This fund accounts 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 only had the following Enterprise Fund:

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

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individual, organization or other government. The Village's significant agency funds account for Mayor's court fines and bonds.

E. Budgetary Process

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department and personal services level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

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.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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.

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. 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:

	2011	2010
Demand deposits	\$653,589	\$603,026
Cash on Hand	1,500	1,500
Total deposits	655,089	604,526
STAR Ohio	80	79
Total Deposits and Investments	\$655,169	\$604,605

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Deposits:

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

Investments:

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>2011 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$1,848,003	\$2,045,852	\$197,849
Special Revenue	1,570,679	1,535,201	(35,478)
Capital Projects	428,760	0	(428,760)
Enterprise	281,296	265,363	(15,933)
Total	<u><u>\$4,128,738</u></u>	<u><u>\$3,846,416</u></u>	<u><u>(\$282,322)</u></u>

<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$2,109,967	\$2,020,549	\$89,418
Special Revenue	1,630,978	1,477,155	153,823
Capital Projects	0	0	0
Enterprise	333,320	275,438	57,882
Total	<u><u>\$4,074,265</u></u>	<u><u>\$3,773,142</u></u>	<u><u>\$301,123</u></u>

<u>2010 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$1,999,826	\$2,051,235	\$51,409
Special Revenue	731,469	713,357	(18,112)
Capital Projects	168,000	167,861	(139)
Enterprise	429,000	432,705	3,705
Total	<u><u>\$3,328,295</u></u>	<u><u>\$3,365,158</u></u>	<u><u>\$36,863</u></u>

<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$2,333,570	\$2,242,888	\$90,682
Special Revenue	740,762	688,166	52,596
Capital Projects	168,000	167,861	139
Enterprise	402,811	388,265	14,546
Total	<u><u>\$3,645,143</u></u>	<u><u>\$3,487,180</u></u>	<u><u>\$157,963</u></u>

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. 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.

Tangible personal property tax is assessed by 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. Local Income Tax

The Village levies a municipal income tax of 2 % 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. 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 Central Collection Agency (CCA) for collection of income taxes.

Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Fire Construction Bonds	\$234,362	5.75%
OPWC Loan #CH10E	191,884	0.00%
OPWC Loan #CH08F	268,920	0.00%
OPWC Loan #CH05G	470,254	0.00%
OPWC Loan #CU03J	336,180	0.00%
OPWC Loan #CU09K	473,180	0.00%
OPWC Loan #CH15M	247,419	0.00%
Fire Truck Lease	76,257	3.24%
Service Department Truck Lease	24,924	4.48%
Vactor Lease	65,327	4.55%
Tap-In Fees	40,000	5.00%
Total	\$2,428,707	

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

The Fire Construction Bonds relate to a \$500,000 fire station construction project. The bond payments will be paid in semi-annual payments of \$25,099, including interest, over 15 years. The Bonds are paid from the Fire Levy Fund.

The Ohio Public Works Commission (OPWC) Loan #CH10E relates to a \$348,880 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$8,722 over 20 years. 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.

OPWC Loan #CH08F relates to a \$448,200 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$11,205 over 20 years. Forty 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.

OPWC Loan #CH05G relates to a \$627,005 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$15,675 over 20 years. Forty 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.

OPWC Loan #CU03J relates to a \$387,900 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$6,465 over 30 years. Forty 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.

OPWC Loan #CH09K relates to a \$525,755 general street construction project. The loan payments will be paid in semi-annual installments of \$13,144 over 20 years. Forty 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.

OPWC Loan #CH15M relates to a \$267,480 general street construction project. The loan payments will be paid in semi-annual installments of \$6,687 over 20 years. Forty 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 fire truck lease relates to a 2011 fire pumper. Lease payments will be paid in monthly installments of \$1,633, including interest, over 5 years.

The service department truck lease relates to a 2011 Ford dump truck. Lease payments will be paid in annual installments of \$13,306, including interest, over 4 years.

The Vactor lease relates to a 2001 Vactor Model 2110 sewer cleaner. Lease payments will be paid in annual installments of \$34,909, including interest, over 5 years.

The Tap-In Fees agreement relates to a joint operation agreement with the Village of Walton Hills. Payments will be paid in annual installments of \$10,000, plus 5% interest on the outstanding balance, over 5 years.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

<u>Year ending December 31:</u>	<u>Fire Construction Bonds</u>	<u>OPWC Loans</u>	<u>Capital Leases</u>	<u>Tap-In Fees</u>
2012	\$50,198	\$123,796	\$67,805	\$12,000
2013	50,198	123,796	67,805	11,500
2014	50,198	123,796	19,591	11,000
2015	50,198	123,796	19,591	10,500
2016	50,198	123,796	3,265	
2017-2021	25,099	618,980		
2022-2026		481,978		
2027-2031		190,319		
2032-2036		64,650		
2037-2038		12,930		
Total	<u>\$276,089</u>	<u>\$1,987,837</u>	<u>\$178,057</u>	<u>\$45,000</u>

7. 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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, 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 2011 and 2010, 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, 2011.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

9. Contingent Liabilities

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding and disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. Jointly Governed Organization

The Northfield Macedonia Union Cemetery, is a jointly governed organization consisting of the city of Macedonia, Northfield Village, Northfield Center Township and Sagamore Hills Township. 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 2011 and 2010, the Village's fees were \$10,311 and \$9,630, respectively.

11. Subsequent Events

Subsequent events were evaluated by management through August 31, 2012, the date the financial statements were available to be issued.

In 2012, the Village entered into two lease agreements for the purchase of two dump trucks for the service department for \$77,871 and \$34,879, respectively.

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

Village of Northfield
Summit County
10455 Northfield Road
Northfield, Ohio 44067

To the Village Council:

We have audited the financial statements of the Village of Northfield, Summit County, (the Village) as of and for the years ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated September 14, 2012 wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principals. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 14, 2012.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

September 14, 2012



Dave Yost • Auditor of State

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
JANUARY 16, 2014**