



**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF NORTH FAIRFIELD
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of North Fairfield
Huron County
3 East Main Street
North Fairfield, Ohio 44855-9522

To the Village Council:

We have audited the accompanying financial statements of the Village of North Fairfield, Huron County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, and its combined 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 June 15, 2000 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 grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 15, 2000

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**VILLAGE OF NORTH FAIRFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,726		\$12,726
Intergovernmental Receipts	58,745	\$30,188	88,933
Charges for Services	16,814		16,814
Fines, Licenses, and Permits	85		85
Earnings on Investments	6,339	2,297	8,636
Miscellaneous	3,442		3,442
	<u>98,151</u>	<u>32,485</u>	<u>130,636</u>
Total Cash Receipts			
	<u>98,151</u>	<u>32,485</u>	<u>130,636</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,444		5,444
Public Health Services	236		236
Leisure Time Activities	15,637		15,637
Community Environment	1,090		1,090
Basic Utility Services	16,984		16,984
Transportation		30,091	30,091
General Government	88,281		88,281
	<u>127,672</u>	<u>30,091</u>	<u>157,763</u>
Total Cash Disbursements			
	<u>127,672</u>	<u>30,091</u>	<u>157,763</u>
Total Receipts Over/(Under) Disbursements	(29,521)	2,394	(27,127)
Fund Cash Balances, January 1	<u>107,370</u>	<u>52,019</u>	<u>159,389</u>
Fund Cash Balances, December 31	<u>\$77,849</u>	<u>\$54,413</u>	<u>\$132,262</u>

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

**VILLAGE OF NORTH FAIRFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$31,958
Miscellaneous	235
	32,193
Total Operating Cash Receipts	32,193
Operating Cash Disbursements:	
Personal Services	15,384
Contractual Services	5,577
Supplies and Materials	3,234
	24,195
Total Operating Cash Disbursements	24,195
Operating Income	7,998
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	3,000
Net Receipts Over Disbursements	10,998
Fund Cash Balances, January 1	31,315
Fund Cash Balances, December 31	\$42,313

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

**VILLAGE OF NORTH FAIRFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,682		\$12,682
Special Assessments	598		598
Intergovernmental Receipts	55,398	\$18,432	73,830
Charges for Services	15,486		15,486
Fines, Licenses, and Permits	85		85
Earnings on Investments	6,958	3,481	10,439
Miscellaneous	5,265		5,265
	<u>96,472</u>	<u>21,913</u>	<u>118,385</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	4,993		4,993
Leisure Time Activities	4,674		4,674
Basic Utility Services	15,635		15,635
Transportation		51,318	51,318
General Government	59,204		59,204
	<u>84,506</u>	<u>51,318</u>	<u>135,824</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	11,966	(29,405)	(17,439)
Fund Cash Balances, January 1	95,404	81,424	176,828
Fund Cash Balances, December 31	<u>\$107,370</u>	<u>\$52,019</u>	<u>\$159,389</u>

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

**VILLAGE OF NORTH FAIRFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$28,366
Miscellaneous	2,125
Total Operating Cash Receipts	30,491
Operating Cash Disbursements:	
Personal Services	15,595
Contractual Services	2,976
Supplies and Materials	2,810
Total Operating Cash Disbursements	21,381
Operating Income	9,110
Fund Cash Balances, January 1	22,205
Fund Cash Balances, December 31	\$31,315

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

**VILLAGE OF NORTH FAIRFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of North Fairfield, Huron County, (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 water utility services. The Village contracts with the Huron County Sheriff's department to provide security of persons and property and with the North Central EMS to provide ambulance services.

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

B. 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 received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF NORTH FAIRFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. Enterprise Funds

These funds account 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 had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. 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.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$174,575	\$190,704

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

**VILLAGE OF NORTH FAIRFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,906	\$100,448	\$8,542
Special Revenue	28,443	30,188	1,745
Enterprise	29,371	35,193	5,822
Total	\$149,720	\$165,829	\$16,109

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$202,756	\$127,672	\$75,084
Special Revenue	66,938	30,091	36,847
Enterprise	57,486	24,195	33,291
Total	\$327,180	\$181,958	\$145,222

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,603	\$99,953	\$10,350
Special Revenue	14,745	18,432	3,687
Enterprise	26,000	30,491	4,491
Total	\$130,348	\$148,876	\$18,528

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$185,008	\$84,506	\$100,502
Special Revenue	96,170	51,318	44,852
Enterprise	48,205	21,381	26,824
Total	\$329,383	\$157,205	\$172,178

**VILLAGE OF NORTH FAIRFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, 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. DEBT

The Village had a \$3,000, interest free, Ohio Public Works Commission (OPWC) loan outstanding at December 31, 1999 .

The OPWC loan is being used to assist with the costs of a feasibility study for a new wastewater treatment system. The loan was obtained in April 1999. It will be repaid in annual installments of \$300, over 10 years, with the first payment due July 1, 2001. The Village plans to repay the loan from the general fund.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loan
2001	\$300
2002	300
2003	300
2004	300
2005	300
Subsequent	1,500
Total	<u>\$3,000</u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF NORTH FAIRFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability
- Commercial Auto
- Commercial Fire
- Inland Marine

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of North Fairfield
Huron County
3 East Main Street
North Fairfield, Ohio 44855-9522

To the Village Council:

We have audited the accompanying financial statements of the Village of North Fairfield, Huron County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 15, 2000. We conducted our audits in accordance with generally accepted auditing standards 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, contracts and grants, 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 audits 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 operation that we consider to be material weaknesses.

Village of North Fairfield
Huron County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 15, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF NORTH FAIRFIELD

HURON 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
JULY 13, 2000**