



**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 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 and reserves for encumbrances 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 September 1, 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. 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 this audit.

Village of Northfield
Summit County
Report of Independent Accounts
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This report is intended solely for the information and use of 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". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

September 1, 2000

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$816,172	\$108,752	\$0	\$13,742	\$938,666
Intergovernmental Receipts	307,275	371,517	149,302	850	828,944
Charges for Services		2,435			2,435
Fines, Licenses, and Permits	206,024	14,345			220,369
Miscellaneous	32,688	4,981			37,669
	<u>1,362,159</u>	<u>502,030</u>	<u>149,302</u>	<u>14,592</u>	<u>2,028,083</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	458,256	114,342		56,801	629,399
Public Health Services	24,903				24,903
Leisure Time Activities	56,263				56,263
Community Environment	258				258
Transportation		309,150			309,150
General Government	444,357	2,642		201	447,200
Debt Service	40,284				40,284
Capital Outlay		356,423	149,302		505,725
	<u>1,024,321</u>	<u>782,557</u>	<u>149,302</u>	<u>57,002</u>	<u>2,013,182</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	337,838	(280,527)	0	(42,410)	14,901
Fund Cash Balances, January 1	300,094	243,729	0	(7,685)	536,138
Fund Cash Balances, December 31	<u>\$637,932</u>	<u>(\$36,798)</u>	<u>\$0</u>	<u>(\$50,095)</u>	<u>\$551,039</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF NORTHFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
 FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$183,783	\$0	\$0	\$183,783
Miscellaneous	1,908	1,000		2,908
Total Operating Cash Receipts	<u>185,691</u>	<u>1,000</u>	<u>0</u>	<u>186,691</u>
Operating Cash Disbursements:				
Personal Services	16,159			16,159
Fringe Benefits				0
Contractual Services	54,998			54,998
Supplies and Materials	1,599			1,599
Capital Outlay	166,232			166,232
Total Operating Cash Disbursements	<u>238,988</u>	<u>0</u>	<u>0</u>	<u>238,988</u>
Operating (Loss)	<u>(53,297)</u>	<u>1,000</u>	<u>0</u>	<u>(52,297)</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	44,391			44,391
Other Non-Operating Receipts			250,776	250,776
Total Non-Operating Cash Receipts	<u>44,391</u>	<u>0</u>	<u>250,776</u>	<u>295,167</u>
Non-Operating Cash Disbursements:				
Other Non-Operating Cash Disbursements			253,978	253,978
Excess of Receipts Over/(Under) Disbursements	(8,906)	1,000	(3,202)	(11,108)
Transfers-In				0
Advances-In				0
Transfers-Out				0
Advances-Out				0
Net Receipts Over/(Under) Disbursements	(8,906)	1,000	(3,202)	(11,108)
Fund Cash Balances, January 1	<u>148,086</u>	<u>0</u>	<u>30,388</u>	<u>178,474</u>
Fund Cash Balances, December 31	<u>\$139,180</u>	<u>\$1,000</u>	<u>\$27,186</u>	<u>\$167,366</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

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

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Expendable</u> <u>Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$799,634	\$117,387	\$13,328	\$930,349
Special Assessments	1,262			1,262
Intergovernmental Receipts	258,799	170,167		428,966
Charges for Services	11,294	2,540		13,834
Fines, Licenses, and Permits	144,453	26,667		171,120
Miscellaneous	17,951	3,623		21,574
Total Cash Receipts	1,233,393	320,384	13,328	1,567,105
Cash Disbursements:				
Current:				
Security of Persons and Property	431,964	117,643	24,442	574,049
Public Health Services	23,307			23,307
Leisure Time Activities	129,785			129,785
Community Environment	6,686	12,468		19,154
Transportation		268,570		268,570
General Government	397,971	11,783	209	409,963
Debt Service	40,324			40,324
Total Cash Disbursements	1,030,037	410,464	24,651	1,465,152
Total Receipts Over/(Under) Disbursements	203,356	(90,080)	(11,323)	101,953
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	1,264			1,264
Other Sources	156,306	2,089		158,395
Transfers-In		231,819		231,819
Transfers-Out	(231,819)			(231,819)
Other Uses	(8,667)			(8,667)
Total Other Financing Receipts/(Disbursements)	(82,916)	233,908	0	150,992
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	120,440	143,828	(11,323)	252,945
Fund Cash Balances, January 1	179,654	99,901	3,638	283,193
Fund Cash Balances, December 31	\$300,094	\$243,729	(\$7,685)	\$536,138
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF NORTHFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
 FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$169,741	\$0	\$169,741
Miscellaneous	11,457		11,457
	<u>181,198</u>	<u>0</u>	<u>181,198</u>
Operating Cash Disbursements:			
Personal Services	10,161		10,161
Contractual Services	53,056		53,056
Supplies and Materials	3,962		3,962
Capital Outlay	92,596		92,596
	<u>159,775</u>	<u>0</u>	<u>159,775</u>
Operating Income	<u>21,423</u>	<u>0</u>	<u>21,423</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	73,134		73,134
Other Non-Operating Receipts		203,705	203,705
	<u>73,134</u>	<u>203,705</u>	<u>276,839</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	3,500	198,298	201,798
Excess of Receipts Over Disbursements	91,057	5,407	96,464
Fund Cash Balances, January 1	<u>57,029</u>	<u>24,981</u>	<u>82,010</u>
Fund Cash Balances, December 31	<u>\$148,086</u>	<u>\$30,388</u>	<u>\$178,474</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Northfield, Summit 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 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. 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. Cash and Investments

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.

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund

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:

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.

Fire Levy Fund - This fund receives real estate taxes and tangible personal property tax money for the operation of the fire department and Village ambulance.

3. Capital Projects Funds

These funds are 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 had the following significant capital projects funds:

S.R. 8/Meadow Lane Traffic Signal Fund - This fund receives proceeds from the Ohio Public Works Commission. The proceeds are being used to construct a new traffic signal at the State Route 8 and Meadow Lane intersection.

Houghton Road Reconstruction Fund - This fund receives proceeds from the Ohio Public Works Commission. The proceeds are being used to reconstruct Houghton Road.

4. 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 had the following significant Enterprise Fund:

Sanitary Sewer Fund - This fund receives revenue from residents to cover the cost of providing and maintaining this utility.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fiduciary Funds (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 had the following significant fiduciary funds:

Expendable Trust Fund Police Pension and Liability Fund - This fund receives property taxes levied by the County Auditor as mandated by the Ohio Revised Code for retirement funding.

Agency Fund Mayor's Court Fund - This fund receives and distributes fines collected by the Mayor's Court.

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 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 unencumbered 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. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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>1999</u>	<u>1998</u>
Demand deposits	\$ 301,945	\$ 335,055
Cash on hand	1,400	500
Total deposits	303,345	335,555
Repurchase Agreements	415,000	379,000
STAR Ohio	60	57
Total investments	415,060	379,057
Total deposits and investments	\$ 718,405	\$ 714,612

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 Village's name. 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
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	\$ 0	\$ 1,362,159	\$ 1,362,159
Special Revenue	0	502,030	502,030
Capital Projects	0	149,302	149,302
Enterprise	0	230,082	230,082
Expendable Trust	0	14,592	14,592
Total	\$ 0	\$ 2,258,165	\$ 2,258,165

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 243,600	\$ 1,024,321	\$ (780,721)
Special Revenue	80,000	782,557	(702,557)
Capital Projects	0	149,302	(149,302)
Enterprise	23,000	238,988	(215,988)
Expendable Trust	3,500	57,002	(53,502)
Total	\$ 350,100	\$ 2,252,170	\$ (1,902,070)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 1,390,963	\$ 1,390,963
Special Revenue	0	554,292	554,292
Enterprise	0	254,332	254,332
Expendable Trust	0	217,033	217,033
Total	\$ 0	\$ 2,416,620	\$ 2,416,620

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,164,093	\$ 1,464,912	\$ (300,819)
Special Revenue	406,709	410,464	(3,755)
Enterprise	98,751	163,274	(64,523)
Expendable Trust	14,000	222,949	(208,949)
Total	\$ 1,683,553	\$ 2,261,599	\$ (578,046)

4. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 121.22, the Village did not maintain complete and accurate minute records.

Contrary to Ohio Revised Code Section 135.14, the Village did not file an investment policy with the State Auditors Office as required.

Contrary to Ohio Revised Code Section 5705.09, the Village did not establish separate funds for projects that received Issue II money.

Contrary to Ohio Revised Code Section 5705.10, the Village had two Special Revenue Funds with negative fund balances in 1999 and 1998.

Contrary to Ohio Revised Code Section 5705.34, the Village did not certify the 1999 tax levies and did not authorize the 1998 tax levies until after the required date.

Contrary to Ohio Revised Code Section 5705.36, the Village did not certify to the County Auditor the total amount from all sources available for expenditure from each fund in the tax budget, along with any balances that existed at the end of the preceding year.

Contrary to Ohio Revised Code Section 5705.38, 5705.39 and 5705.40 the Village did not file the required budgetary documents with the County within the specified time period.

Contrary to Ohio Revised Code Section 5705.41(B), the Village did not properly adopt appropriations due to not filing them with the County Auditor. As a result, all expenditures within the Village's funds exceeded appropriations at the fund, function, object level, which is the Village's legal level of control.

Contrary to Ohio Revised Code Section 5705.41 (D), the Village did not properly certify a majority of its expenditures prior to entering into the commitment.

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

4. NONCOMPLIANCE (Continued)

Contrary to Ohio Administrative Code 117-5-01, the Village did not employ the Uniform System of Accounting.

Contrary to Internal Revenue Regulation (26 C.F.R) Section 1.6041-6 and 1.6041.1, the Village did not issue 1099 forms to independent contractors who were paid \$600 or more during the year.

5. 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 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 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.

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$ 172,500	5.6%
Fire Pumper Lease	38,170	8.0%
Total	\$ 210,670	

The General Obligation Bonds relate to a \$300,000 general street improvement project. The bond payments are made in annual installments commencing December 1, 1995 of approximately \$40,500, including interest, over 10 years through December 1, 2004.

The Fire Pumper Lease relates to a lease for a Fire Pumper used by the Village Fire Department. The lease payments are made annually in installments of \$19,085, including interest, over 10 years. The lease payments are scheduled through October 1, 2001. These payments are included in the "security of persons and property" within the General Fund.

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

6. DEBT (Continued)

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

Year ending December 31:	General Obligation Bonds	Fire Pumper Lease
2000	\$ 40,660	\$ 19,085
2001	40,424	19,085
2002	40,604	0
2003	40,672	0
2004	40,128	0
Total	<u>\$ 202,488</u>	<u>\$ 38,170</u>

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding on these issues at December 31, 1999 was \$492,000. Assets accumulated to retire this debt are held by a trustee.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and fire department personnel belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members 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.

8. 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 \$655,837 and \$607,005 of income taxes in 1999 and 1998, respectively.

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

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

10. JOINTLY GOVERNED ORGANIZATION

The Northfield-Macedonia Union Cemetery 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 1999 and 1998, the Village's nominal annual fee was \$6,063.

11. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Management believes that the resolution of these matters 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.

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

Village of Northfield
Summit County
10455 Northfield Road
Northfield Village, 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, 1999 and 1998, and have issued our report thereon dated September 1, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-30977-001 through 1999-30977-011.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 1, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-30977-012 through 1999-30977-017.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 1, 2000.

This report is intended for the information and use of 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', with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 1, 2000

**VILLAGE OF NORTHFIELD
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Noncompliance Citations

Finding Number	1999-30977-001
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Ohio Revised Code Section 121.22 requires the Village to take all official actions and to conduct all deliberations upon official business in open meetings, unless the subject matter is specifically exempted by law. It further outlines that the Village must establish a reasonable method by which any person can determine the time and place of all regular meetings. Finally, it requires the minutes of the meetings or special meetings to be promptly prepared, filed, and maintained and approved by the governing authority.

Our review of the minutes indicated that minutes for 8 out of 44 meetings held in 1999 and 1998 were not available. Additionally, the minutes received did not contain a description of the ordinances or resolutions passed by Village Council. We recommend that Village Council meeting minutes contain a description of the ordinances or resolutions passed or that the ordinances or resolutions be attached to the minutes and referenced thereto.

Finding Number	1999-30977-002
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Ohio Revised Code Section 135.14 states that when investments exceed \$100,000 investments or deposits cannot be made (except in certain circumstances) unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State.

The Village had investments exceeding \$100,000; however, they did not file their investment policy with the Auditor of State. We recommend that the Village file its investment policy with the Auditor of State.

Finding Number	1999-30977-003
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Ohio Revised Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The Village did not establish separate funds for the State Route 8/Meadow Lane Traffic Signal and Intersection project, the May/Sunset Sanitary project and the Houghton Road Reconstruction project. These projects received Issue II money and separate funds should have been established. We recommend that Village Council establish funds in accordance with the statute.

Noncompliance Citations (continued)

Finding Number	1999-30977-004
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Ohio Revised Code Section 5705.10 requires the distribution of revenue derived from tax levies to be paid into a fund that is used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to pay the expenses of another fund.

During 1999 and 1998, Special Revenue Funds Street Construction Maintenance and Repair Fund and the Drug Law Enforcement Fund had negative fund balances in the following amounts:

Fund:	1999	1998
Street Construction Maintenance and Repair	\$540,290	\$353,037
Drug Law Enforcement	1,847	1,847

We recommend the Finance Director and Village Council review cash receipts and disbursements to ensure proper financial activity. To avoid negative fund balances, Village Council should transfer monies from the General Fund to cover the deficit.

Finding Number	1999-30977-005
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Ohio Revised Code Section 5705.34 requires each taxing authority to pass an ordinance or resolution authorizing the necessary tax levies and certifying such levies to the County Auditor before October 1st.

Village Council did not authorize the 1998 tax levies until October 14, 1998, which is after the required deadline. In addition, Village Council did not certify the tax levies to the County Auditor at all in 1999. We recommend that the Village certify tax levies on or before the required date.

Finding Number	1999-30977-006
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Ohio Revised Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not certify their estimated resources to the County Auditor for fiscal years 1999 and 1998. We recommend the Village Council Finance Director prepare and submit the certificate of estimated resources to the County Auditor within the specified time frame.

Noncompliance Citations (continued)

Finding Number	1999-30977-007
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Ohio Revised Code Section 5705.38, 5705.39 and 5705.40 require 1) on or about the first day of the fiscal year an appropriation measure is to be passed; 2) total appropriations from each fund should not exceed the total estimated revenue; and 3) any appropriation measure may be amended or supplemented as long as the Village complies with the same provisions of the law as were used in the making of the original appropriation.

We noted in the minutes that the Village Council approved annual appropriations for 1998 and temporary appropriations for 1999; however, they were not on file with the County Auditor. In addition, the Village Council did not approve a permanent appropriation for 1999. The Village also did not file estimated resources or an amended appropriations with the County Auditor. As a result, Village appropriations exceeded estimated resources for both years. We recommend that the Village file the appropriate documents with the County in the time frame required.

Finding Number	1999-30977-008
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Ohio Revised Code Section 5705.41 (B) states in part that political subdivisions are prohibited from making an expenditure unless it has been properly appropriated.

The 1999 temporary appropriations expired on March 30, 1999, yet the Village continued to spend monies without a permanent appropriations measure. As a result, expenditures exceeded appropriations at every level of legal control. In addition, in 1998, a permanent appropriation measure was passed; however, expenditures also exceeded appropriations at every level of legal control. We recommend the Village adopt permanent appropriation resolutions within the legal time frame and ensure all expenditures are within their appropriations.

Finding Number	1999-30977-009
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Ohio Revised Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereto.

This section also provides for two “exceptions” to the above requirements:

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid
- If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid

Noncompliance Citations (continued)

During 1999 and 1998, 80% and 87%, respectively, of the expenditures tested were not certified by the Finance Director prior to incurring the obligation. We recommend the Finance Director certify the availability of funds at the time the commitment is made or implement the use of the Then and Now Certificates for expenditures when prior certification of the fiscal officer is not possible.

Finding Number	1999-30977-010
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Ohio Administrative Code 117-5-01 requires that the Uniform System of Accounting prescribed pursuant to Ohio Administrative Code Sections 117-5-01 to 117-5-18, be employed by villages on the cash basis of accounting.

During 1999 and 1998, the Village did not employ the Uniform System of Accounting. The Village did not post activity to its Cash Journal, Receipt Ledger and Appropriation/Expenditure Journal by detail or by fund as prescribed by the Ohio Administrative Code. When monies were received, the Village did not post each receipt to the Cash Journal contrary to Ohio Administrative Code Section 117-5-09. Expenditures were not posted to the appropriations journal in a timely manner contrary to Ohio Administrative Code Section 117-5-11. Additionally, purchase orders were not used to encumber the line-item appropriations as prescribed in this code section. Many of the Village reports were not completed and had to be reconstructed by the current Finance Director. Financial activity should be posted to the accounting records in a timely manner. Reliable, current financial information is essential to the Village Council for managing Village activities. Without accurate, reliable, and current information, Village Council may not be able to accurately plan for the future needs of the Village.

Finding Number	1999-30977-011
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Internal Revenue Regulations (26 C.F.R.) § 1.6041-6 and 1.6041.1: Time and place for filing forms 1099 and reporting of income aggregating more than \$600 state that 1099 forms must be issued to unincorporated persons or entities that have been paid \$600 or more.

The Village did not issue any 1099 forms to unincorporated persons or entities that were paid an amount which exceeded \$600. We recommend the Village issue 1099 forms to all those unincorporated persons or entities that have been paid \$600 or more annually.

Material Weaknesses

Finding Number	1999-30977-012
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For the years ended December 1999 and 1998, the Village’s accounting records were maintained in a manner such that interim summary financial activity and annual financial statements were not prepared. The new Village Finance Director had to reconstruct the accounting records (aggregate financial activity by month and year in order to prepare summary records of financial activity and annual financial statements after the fact). In addition, bank reconciliations were not prepared. Providing current and reliable financial information to Council is essential for management of the Village and future planning.

The posting of financial activity should be current and performed accurately, and bank reconciliations should be preformed monthly, including reconciliations between bank balances and book balances.

To help ensure that accurate financial information is provided, at a minimum, we recommend that the Finance Director and Council develop, implement, and monitor the following control procedures for assurance as to the timeliness and reliability of financial information.

- Review and approve monthly financial statement information monthly;
- Review information such as long outstanding items and unusual or significant accounting entries;
- Establish and adhere to policies and procedures governing the “general ledger” pursuant to the Ohio Admin. Code Sections 117-5-01 through 117-5-18. These policies and procedures include such things as processing journal entries in a timely fashion, proper cut-off, supervisory approvals, etc.;
- Review account reconciliations monthly, including clearance of reconciling items (e.g., bank account reconciliations) to help ensure accounts are reconciled accurately;
- Develop and implement monitoring procedures to help ensure that transactions are properly recorded and also recorded in the proper period;
- Develop and implement monitoring procedures to help ensure that all financial activity, for the period, is reflected in the financial statements; and

These procedures will help improve the timeliness and accuracy of financial information provided to the Village Council and also improve the financial record keeping of the Village.

Material Weaknesses (Continued)

Finding Number	1999-30977-013
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During testing of charges for services, it was noted that the following information was not available from the third party administrator for sewer billings:

- A contract between the third party administrator and the Village;
- A listing of current residential and commercial utility customers;
- A listing of payments by residential and commercial accounts;
- A reconciliation between the third party administrator and the Village;
- A policy addressing procedures for handling delinquent accounts; and
- A record of delinquent residential and commercial accounts.

This could result in the Village not receiving monies owed for sewer maintenance services and the third party administrator not being aware of the duties that are to be performed;

We recommend the Village develop and implement a policy concerning the processing of utility sewer service billings and receipts. This policy should include, but not be limited to:

- Village Council should prepare and authorize a contract with the third party administrator outlining the procedures to be followed and the duties to be performed;
- An updated and accurate record of residential and commercial utility customers;
- Separate account payment history reports for residential and commercial accounts. The residential customer account payment history report should include, but not be limited to: customer name, customer account number, quarterly payment due, quarterly payment received and the outstanding balance. The commercial customer account payment history report should include, but not be limited to: business name, business account number, quarterly payment due, quarterly payment received and the outstanding balance; and
- A reconciliation between the third party administrator's records and the Village should be performed; and Village Council should prepare and authorize, in the minute records, a policy addressing procedures for handling delinquent accounts, including a separate record for delinquent residential and commercial account detailing account name, account number and amount outstanding.

This will help ensure the Village bills and collects payments from eligible utility customers as well as ensuring policies and procedures are in place for collecting delinquencies.

Finding Number	1999-30977-014
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During testing of income tax revenue, it was noted that the following information was not available from the third party administrator:

- An updated and accurate record of employee and employer income tax payers;
- A listing of payments by employee and employer income tax payers;
- A policy addressing procedures for handling delinquent accounts;
- A record of delinquent employee and employer accounts; and
- A reconciliation between the third party administrator and the Village.

This could result in the Village not receiving monies owed for income tax.

Material Weaknesses (Continued)

We recommend the following be obtained from the third party administrator:

- An updated and accurate record of employee and employer income tax payers;
- Separate account payment history reports for employee and employer accounts. The payment history report should include, but not be limited to: employee/employer name, annual/monthly payment due, annual/monthly payment received and the outstanding balance;
- Village Council should prepare and authorize, in the minute records, a policy addressing procedures for handling delinquent accounts;
- A separate record for delinquent employee and employer accounts detailing account name, account number and amount outstanding; and
- A reconciliation between the third party administrator's records and the Village should be performed.

This will help ensure the Village collects payments from eligible income tax payers as well as ensuring policies and procedures are in place for collecting delinquencies.

Finding Number	1999-30977-015
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During our testing of expenditures the following were noted:

- A policy and procedures manual was not adopted;
- A master Chart of Accounts was not maintained;
- Disbursement transactions were not supported by sufficient competent evidential matter;
- Disbursement information was not recorded in a timely manner;
- Disbursements were paid from the fire and sewer accounts utilizing manual checks;
- The signature of the Interim Finance Director varied indicating that checks were signed by an unauthorized employee; and
- Sales tax was paid.

This could result in unallowable or unauthorized expenditures being made without immediate knowledge of the Village Clerk and/or Village Council.

We recommend the following:

- The Village should develop and implement a comprehensive set of financials policies and procedures;
- Village Council should adopt and maintain a Master Chart of Accounts to be used by the Finance Director to record the transactions of the Village. Any changes to the Chart of Accounts should require the passage of an Ordinance or Resolution by Village Council;
- Village Council should ensure that each disbursement transaction is supported by sufficient competent evidential matter that includes corresponding invoices (or contracts and amendments), purchase orders, and canceled warrants;
- Village Council should ensure that disbursement information is recorded accurately and when payments are made;
- Village Council should either consider using the general account to pay for all disbursements of the Village or eliminating the use of manual checks for the Fire and Sewer accounts;
- Village Council should maintain a strict policy regarding the proper signing of Village checks which would include prohibiting the delegation of check signing to an unauthorized employee. Village Council should consider a periodic inspection of checks to ensure that this policy is being adhered to; and

Material Weaknesses (Continued)

- The Finance Director should review each invoice in detail to ensure that sales tax is not paid. The Village is a tax exempt entity and as such is not required to pay sales taxes for goods or services purchased by it's employees.

Implementation of the above will help ensure that only allowable and authorized expenditures are made by the Village and that sufficient controls are in place to support a favorable control environment.

Finding Number	1999-30977-016
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During our testing of payroll expenditures the following were noted:

- A Current employee roster, listing name and position was not maintained;
- Personnel policies and procedures manual was not adopted;
- Acknowledgment, in writing, that each employee has received a policies and procedures manual and agreement that they will adhere to it was not obtained;
- Approval was not evident for the hiring of employees of the Village;
- Approval was not evident for the pay rates of employees;
- A review process to ensure all employees' gross wages as paid agree to the approved pay rate was not in place; and
- A process requiring all wages paid to hourly (non-salary) employees be adequately supported by a time sheet documenting hours worked did not exist.

Strong business practices suggest the following procedures be in place to ensure a favorable control environment to identify misstatements either as they occur or through the review process:

- Current employee roster, listing name and position;
- Development and implementation of a personnel policies and procedures manual which should be provided to all employees;
- Acknowledgment, in writing, that each employee has received a policies and procedures manual and agreement that they will adhere to it;
- Approval through the Village Council to hire all employees of the Village;
- Approval through the Village Council of all pay rates for employees;
- Review process to ensure all employees' gross wages as paid agree to the approved pay rate; and
- Process requiring all wages paid to hourly (non-salary) employees be adequately supported by a time sheet documenting hours worked. Such time sheet should be appropriately approved by someone with sufficient knowledge to verify the hours worked.

Failure to establish a favorable control environment could result in a material misstatement, overpayment, or unauthorized payment relating to payroll expenditures.

The Village should develop and implement a policy and set of procedures to follow when hiring individuals and processing payroll transactions which will contribute to a favorable control environment as described above. The policies and procedures manual should address the Village's expectations and/or requirements in areas of discipline, ethical behavior, conflicts of interest, prohibited political activity, illegal acts and payroll procedures.

Material Weaknesses (Continued)

Finding Number	1999-30977-017
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During our review of the computer environment, we noted the following:

- The Village does not have a written data retention policy for magnetic media. Without a well developed data retention policy there is a increased risk that data necessary for regulatory or internal requirements will not be maintained. Also, there is an increased risk that media retained will not be properly stored which may result in the loss of data. We recommend that the Village address data retention requirements for magnetic media; develop and adhere to a retention schedule; and make provisions for the proper storage of magnetic tapes.
- The Village does not have a written disaster recovery plan or agreements to offset loss of critical applications or computer facilities.
- A detailed security policy has not been formulated for the Village's computer environment and controls. We recommend that communication of all computer environment security measures be written in a formal procedures manual.
- The accounting system the Village is implementing does not have application level password ability. Village personnel should make sure to use their Windows environment passwords in order to prevent unauthorized access.

We recommend that the Village develop and implement a comprehensive computer policies and procedures manual that includes but is not limited to a written disaster recovery plan to offset the impact of a loss of critical application or computer facilities.



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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
OCTOBER 24, 2000