



**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NORTHFIELD
SUMMIT COUNTY

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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, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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.

Except as discussed in paragraph four, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

Because of inadequacies in the Third Party Administrator accounting related records, we were unable to obtain sufficient information regarding the reported Enterprise Fund Type cash receipts in the accompanying 2001 and 2000 financial statements, which accounts for 100% of Charges for Services in the Enterprise Fund for 2001 and 2000.

In our opinion, except for the effects of adjustments, if any, which might have been determined to be necessary had Charges for Services accounting records on the Enterprise Fund receipts, been susceptible to satisfactory audit tests, 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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully disclosed in Note 2 to the accompanying financial statements, the Village reclassified the Nonexpendable Trust Fund to an Agency Fund. Fund balances as of January 1, 2000 have been restated as a result of the reclassification.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2002 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 our audits.

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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 23, 2002

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**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, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$839,847	\$111,292		\$15,393	\$966,532
Intergovernmental	282,871	161,652	\$98,353	1,963	544,839
Charges for Services		25,515			25,515
Fines, Licenses, and Permits	197,231	14,889			212,120
Earnings on Investments	18,524	5,424			23,948
Miscellaneous	41,691	9,694			51,385
Total Cash Receipts	1,380,164	328,466	98,353	17,356	1,824,339
Cash Disbursements:					
Current:					
Security of Persons and Property	633,709	129,889		8,548	772,146
Public Health Services	25,756				25,756
Leisure Time Activities	26,539				26,539
Community Environment	9,621				9,621
Basic Utility Services			86,193		86,193
Transportation	228,803	107,865	12,160		348,828
General Government	474,025	4,013			478,038
Debt Service:					
Principal Payments	40,812	26,821			67,633
Interest Payments	8,901	3,751			12,652
Capital Outlay		61,000	196,516		257,516
Total Cash Disbursements	1,448,166	333,339	294,869	8,548	2,084,922
Total Cash Receipts Over/(Under) Cash Disbursements	(68,002)	(4,873)	(196,516)	8,808	(260,583)
Other Financing Receipts:					
Proceeds of Notes and Loans		61,000	196,516		257,516
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(68,002)	56,127	0	8,808	(3,067)
Fund Cash Balances, January 1	241,384	178,812		6	420,202
Fund Cash Balances, December 31	\$173,382	\$234,939	\$0	\$8,814	\$417,135
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<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	\$250,314		\$250,314
Miscellaneous		\$2,000	2,000
	<u>250,314</u>	<u>2,000</u>	<u>252,314</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	55,104		55,104
Contractual Services	132,002	2,798	134,800
Supplies and Materials	8,664		8,664
Capital Outlay	164,295		164,295
	<u>360,065</u>	<u>2,798</u>	<u>362,863</u>
Total Operating Cash Disbursements			
Operating (Loss)	<u>(109,751)</u>	<u>(798)</u>	<u>(110,549)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	23,550		23,550
Other Non-Operating Receipts	147	201,439	201,586
	<u>23,697</u>	<u>201,439</u>	<u>225,136</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		196,309	196,309
Excess of Receipts Over Disbursements	<u>23,697</u>	<u>5,130</u>	<u>28,827</u>
Net Receipts Over/(Under) Disbursements	(86,054)	4,332	(81,722)
Fund Cash Balances, January 1	<u>198,747</u>	<u>32,550</u>	<u>231,297</u>
Fund Cash Balances, December 31	<u>\$112,693</u>	<u>\$36,882</u>	<u>\$149,575</u>
Reserves 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
SUMMIT COUNTY**

**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, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$826,644	\$111,845		\$15,341	\$953,830
Intergovernmental	243,735	265,910	\$150,320	1,937	661,902
Charges for Services		11,542			11,542
Fines, Licenses, and Permits	207,582	13,973			221,555
Earnings on Investments	17,248	1,625			18,873
Miscellaneous	60,091	3,419			63,510
Total Cash Receipts	1,355,300	408,314	150,320	17,278	1,931,212
Cash Disbursements:					
Current:					
Security of Persons and Property	493,818	286,462		235	780,515
Public Health Services	23,814				23,814
Leisure Time Activities	21,573				21,573
Community Environment	1,330				1,330
Transportation	181,623	260,092			441,715
General Government	556,679	5,254			561,933
Debt Service:					
Principal Payments	39,312	25,512			64,824
Interest Payments	10,637	5,388			16,025
Capital Outlay			150,320		150,320
Total Cash Disbursements	1,328,786	582,708	150,320	235	2,062,049
Total Cash Receipts Over/(Under) Cash Disbursements	26,514	(174,394)	0	17,043	(130,837)
Other Financing Receipts and (Disbursements):					
Transfers-In	231,398	621,402		33,058	885,858
Transfers-Out	(654,460)	(231,398)			(885,858)
Total Other Financing Receipts/(Disbursements)	(423,062)	390,004	0	33,058	0
Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(396,548)	215,610	0	50,101	(130,837)
Fund Cash Balances (Deficits), January 1	637,932	(36,798)		(50,095)	551,039
Fund Cash Balances, December 31	\$241,384	\$178,812	\$0	\$6	\$420,202
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<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	\$244,487	\$7,096	\$251,583
Operating Cash Disbursements:			
Personal Services	23,345		23,345
Contractual Services	81,081		81,081
Supplies and Materials	7,457		7,457
Capital Outlay	76,313		76,313
Total Operating Cash Disbursements	188,196	0	188,196
Operating Income	56,291	7,096	63,387
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	3,276	289,326	292,602
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	292,058	292,058
Excess of Receipts Over/(Under) Disbursements	3,276	(2,732)	544
Net Receipts Over Disbursements	59,567	4,364	63,931
Fund Cash Balances, January 1 (Restated, Note 2)	139,180	28,186	167,366
Fund Cash Balances, December 31	\$198,747	\$32,550	\$231,297
Reserves for Encumbrances, December 31	\$0	\$0	\$0

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, 2001 AND 2000**

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 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.

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.

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
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

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

3. Capital Projects Fund

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

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's only Enterprise Fund is the Sanitary Sewer Fund which receives charges for services from residents to cover the cost of providing this utility.

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

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Village 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 2001 and 2000 budgetary activity appears in Note 4.

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.

G. Unpaid Vacation and Sick Leave

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

2. RESTATEMENT OF PRIOR YEAR FUND BALANCE

The Refundable Performance Bonds Fund previously accounted for as a Nonexpendable Trust Fund is now accounted for in the Agency Fund due to the nature of activity.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. RESTATEMENT OF PRIOR YEAR BALANCE (Continued)

The restatement to the beginning fund balance is as follows:

	Nonexpendable	
	Trust	Agency
Fund Balance as Stated at December 31, 1999	\$1,000	\$27,186
Fund Reclassification	(1,000)	1,000
Fund Balances as Stated at January 1, 2000	\$0	\$28,186

3. 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:

	2001	2000
Demand deposits	\$35,144	\$273,035
Cash on Hand	1,500	1,400
Total deposits	36,644	274,435
STAR Ohio	66	64
Repurchase agreement	530,000	377,000
Total investments	530,066	377,064
Total deposits and investments	\$566,710	\$651,499

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
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,640,112	\$1,380,164	(\$259,948)
Special Revenue	329,534	389,466	59,932
Capital Projects	519,060	294,869	(224,191)
Enterprise	419,980	274,011	(145,969)
Fiduciary	24,868	19,356	(5,512)
Total	\$2,933,554	\$2,357,866	(\$575,688)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,529,534	\$1,448,166	\$81,368
Special Revenue	447,969	333,339	114,630
Capital Projects	519,060	294,869	224,191
Enterprise	591,000	360,065	230,935
Fiduciary	23,742	11,346	12,396
Total	\$3,111,305	\$2,447,785	\$663,520

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,185,662	\$1,586,698	(\$598,964)
Special Revenue	1,048,412	1,029,716	(18,696)
Capital Projects	320,781	150,320	(170,461)
Enterprise	295,027	247,763	(47,264)
Fiduciary	58,335	57,432	(903)
Total	\$3,908,217	\$3,071,929	(\$836,288)

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,996,139	\$1,983,246	\$12,893
Special Revenue	891,740	814,106	77,634
Capital Projects	320,781	150,320	170,461
Enterprise	395,360	188,196	207,164
Fiduciary	4,236	235	4,001
Total	\$3,608,256	\$3,136,103	\$472,153

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.

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. INCOME TAX

The Village levies and collects an income tax of 1.5% on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. The Village has contracted with the Central Collection Agency (CCA) for collection of income taxes. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax to the Village at least quarterly and to file a return annually. The Village received approximately \$650,000 and \$634,000 of income taxes in 2001 and 2000, respectively.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$109,000	5.60%
Dump Truck Lease	10,391	5.25%
Rescue Unit Lease	32,145	5.00%
Fire Truck Note	<u>61,000</u>	5.44%
Total	<u><u>\$212,536</u></u>	

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

The Dump Truck Lease relates to the lease for a dump truck used by the Village Street Department. The lease payments are made monthly in installments of \$774, including interest, over 5 years. The lease payments are scheduled through March 1, 2003.

The Rescue Unit Lease relates to a lease for a Rescue Unit used by the Village Fire Department. The lease payments are made monthly in installments of \$763, including interest, over 7 years. The lease payments are scheduled through December 1, 2005.

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

The Village has entered into contractual agreements for construction loans for street construction projects from the Ohio Public Works Commission (OPWC). The Village has received \$196,516 on these projects through December 31, 2001. 35% of the loan will be paid from the sewer use charges and the remaining from the Special Revenue Street Construction, Maintenance and Repair Fund. These loans will not have repayment schedules until the loans are finalized and, therefore, are not included in the amortization schedule below.

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

	<u>General Obligation Bonds</u>	<u>Dump Truck Lease</u>	<u>Rescue Unit Lease</u>	<u>Fire Truck Note</u>
Year ending December 31:				
2002	\$40,604	\$9,289	\$9,150	\$14,437
2003	40,672	2,322	9,150	14,437
2004	40,128	0	9,150	14,437
2005	0	0	9,150	14,437
2006	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,437</u>
Total	<u><u>\$121,404</u></u>	<u><u>\$11,611</u></u>	<u><u>\$36,600</u></u>	<u><u>\$72,185</u></u>

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. DEBT (Continued)

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2001 was \$60,000. Assets accumulated to retire this debt are held by a trustee, and are not included in the assets disclosed in Note 3.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

10. JOINTLY GOVERNED ORGANIZATION

The Northfield-Macedonia Cemetery, City of Macedonia, Northfield Village, Northfield Center Township and Sagamore Hills Township is a jointly governed organization of four local communities. The jointly governed organization was formed based on the boundaries in relation to the cemetery. Each of the communities contributes a nominal fee for the maintenance of the cemetery. This fee is calculated based on the community's tax value. The Cemetery Board consists of three Board members appointed by the respective communities. One of the four communities rotates in not appointing a member each year. During fiscal years 2001 and 2000, the Village's fees were \$6,620 and \$5,665, respectively.

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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

12. SUBSEQUENT EVENTS

In May 2002, the Village issued \$500,000 general obligation bonds to construct, furnish and equip a new fire station and improve the site. In addition, in June 2002, the Village issued \$200,000 Sanitary Sewer System Improvement bonds to improve the sanitary sewer system.

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**STATE OF OHIO
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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, Ohio 44067

To the Village Council:

We have audited the accompanying financial statements of the Village of Northfield, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 23, 2002 which was qualified because we were unable to obtain sufficient information supporting certain receipts within the Enterprise Fund. We also noted the Nonexpendable Trust Fund was reclassified to an Agency Fund. Except for activity in the Enterprise Fund, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-30977-001.

We also noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated August 23, 2002.

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. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. 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 judgment, 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. The reportable condition is described in the accompanying Schedule of Findings as item 2001-30977-002.

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 a reportable condition and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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 August 23, 2002.

This report is intended solely for the information and use of the audit committee, management, and the 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

August 23, 2002

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

Finding Number	2001-30977-001
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Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit 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 purpose 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 thereon.

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

- a. 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

- b. If the amount involved is less than \$1,000, the Finance Director may authorize payment through a Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid

During 2001 and 2000, 77% and 53% of the expenditures tested were not certified by the Finance Director prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. As a result of the above, the Village could inadvertently over expend certain appropriations. The Village should certify the availability of funds prior to incurring the obligation for expenditures.

Material Weakness

Finding Number	2001-30977-002
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During 2000 and most of 2001, the Village contracted with Browske & Company to facilitate the Village’s sewer billing and collection process and to maintain the accounting records related to that activity. However, we could not perform sufficient testing of the Enterprise Sanitary Sewer Fund (the Village’s only Enterprise Fund), Charges for Services receipts for either 2001 and 2000 because the accounting records relating to sewer billings and collections were not made available to us for the audit. In October 2001, the Village contracted with Ohio Municipal Income Tax Service Inc. to perform the same related services.

**Material Weakness
(Continued)**

Based upon the financial and ministerial functions provided by the third party administrator (Browske & Company and Ohio Municipal Income Tax Service Inc.) for the Village, a SAS 70 relationship exists. A SAS 70 relationship typically occurs whenever an entity process accounting transactions on another entity's behalf. That Statement also permits service organizations to disclose their control activities and process to their customers' auditors in a uniform reporting format (SAS70 Tier II report). The Village should require the Ohio Municipal Income Tax Service, Inc. to obtain a SAS 70 report. In addition, the Village should implement procedures to ensure both the completeness and accuracy of Charges for Services receipts which could include cross checking new housing developments with sewer billings, obtaining detailed records of customer billings and collections on a monthly basis.

The Village is in the process of correcting the above issues.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30977-001	Ohio Rev. Code Section 121.22	Yes	Finding no longer valid.
1999-30977-002	Ohio Rev. Code Section 135.14	Yes	Finding no longer valid.
1999-30977-003	Ohio Rev. Code Section 5705.9	Yes	Finding no longer valid.
1999-30977-004	Ohio Rev Code 5705.10	Yes	Finding no longer valid.
1999-30977-005	Ohio Rev Code Section 5705.34	Yes	Finding no longer valid.
1999-30977-006	Ohio Rev Code Section 5705.36	No	Finding no longer valid.
1999-30977-007	Ohio Rev Code Sections 5705.38, 5705.39, & 5705.40	Yes	Finding no longer valid.
1999-30977-008	Ohio Rev Code Section 5705.41 (B)	Yes	Finding no longer valid.
1999-30977-009	Ohio Rev Code Section 5705.41 (D)	No	Not Corrected. Reissued as finding 2001-30977-001.
1999-30977-010	Ohio Admin. Code 117-5-01	Partially Corrected	The Village does not encumber and does not maintain detailed revenue and expense ledgers.
1999-30977-011	Internal Rev. Reg. (26 C.R.F.) § 1.6041-6 & 1.6041.1	Yes	Finding no longer valid.
1999-30977-012	Accounting Records	Yes	Finding no longer valid.
1999-30977-013	Sewer Billings	No	Not Corrected. Reissued as finding 2001-30977-002.
1999-30977-014	Income Tax Records	Yes	Finding no longer valid.
1999-30977-015	Expenditures	Yes	Finding no longer valid.
1999-30977-016	Payroll Expenditures	Yes	Finding no longer valid.
1999-30977-017	Computer Environment	Yes	Finding no longer valid.



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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
SEPTEMBER 26, 2002**