

**VILLAGE OF NORTHFIELD  
SUMMIT COUNTY**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Northfield, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

April 11, 2007

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**VILLAGE OF NORTHFIELD, OHIO  
SUMMIT COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Village of Northfield, Summit County (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

## **INDEPENDENT AUDITOR'S REPORT** (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004 or its changes in financial position or cash flows of its proprietary fund for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Northfield as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2006 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not express an opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 7, 2006



**Village of Northfield, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - All Governmental and Similar Fiduciary Fund Types**  
**For the Year Ended December 31, 2005**

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$240,491	\$176,134	\$0	\$18,954	\$435,579
Municipal Income Taxes	1,017,045	0	0	0	1,017,045
Intergovernmental	266,713	249,269	0	2,376	518,358
Charges for Services	0	60,010	0	0	60,010
Fines, Licenses and Permits	228,796	18,251	0	0	247,047
Earnings on Investments	13,479	1,329	0	0	14,808
Miscellaneous	99,753	2,600	0	0	102,353
<b>Total Cash Receipts</b>	<b>1,866,277</b>	<b>507,593</b>	<b>0</b>	<b>21,330</b>	<b>2,395,200</b>
<b>Cash Disbursements</b>					
<b>Current:</b>					
Security of Persons and Property	812,050	248,862	0	17,362	1,078,274
Public Health Services	31,586	0	0	0	31,586
Leisure Time Activities	46,555	0	0	0	46,555
Transportation	276,978	122,795	0	0	399,773
General Government	542,857	9,003	0	0	551,860
<b>Debt Service:</b>					
Redemption of Principal	100,000	50,604	0	0	150,604
Interest and Other Fiscal Charges	3,790	26,422	0	0	30,212
Capital Outlay	0	0	415,770	0	415,770
<b>Total Cash Disbursements</b>	<b>1,813,816</b>	<b>457,686</b>	<b>415,770</b>	<b>17,362</b>	<b>2,704,634</b>
<b>Total of Cash Receipts Over Cash Disbursements</b>	<b>52,461</b>	<b>49,907</b>	<b>(415,770)</b>	<b>3,968</b>	<b>(309,434)</b>
<b>Other Financing Sources/(Uses)</b>					
Transfers In	9,411	521	0	0	9,932
Transfers Out	0	(7,086)	0	0	(7,086)
Advance In	20,000	0	0	0	20,000
OPWC Loan Proceeds	0	0	415,770		415,770
<b>Total Other Financing Sources/(Uses)</b>	<b>29,411</b>	<b>(6,565)</b>	<b>415,770</b>	<b>0</b>	<b>438,616</b>
<b>Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses</b>	<b>81,872</b>	<b>43,342</b>	<b>0</b>	<b>3,968</b>	<b>129,182</b>
<b>Fund Cash Balances, January 1, 2005</b>	<b>130,144</b>	<b>106,580</b>	<b>0</b>	<b>1,884</b>	<b>238,608</b>
<b>Fund Cash Balances, December 31, 2005</b>	<b>\$212,016</b>	<b>\$149,922</b>	<b>\$0</b>	<b>\$5,852</b>	<b>\$367,790</b>
<b>Reserve For Encumbrances</b>	<b>\$6,562</b>	<b>\$6,814</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,376</b>

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

**Village of Northfield, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - Proprietary and Similar Fiduciary Fund Types**  
**For the Year Ended December 31, 2005**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$271,641	\$0	\$271,641
Miscellaneous	0	8,500	8,500
Total Operating Cash Receipts	<u>271,641</u>	<u>8,500</u>	<u>280,141</u>
Operating Cash Disbursements			
Personal Services	34,644	0	34,644
Contractual Services	71,833	13,000	84,833
Supplies and Materials	8,587	0	8,587
Capital Outlay	35,753	0	35,753
Total Operating Cash Disbursements	<u>150,817</u>	<u>13,000</u>	<u>163,817</u>
Operating Income (Loss)	<u>120,824</u>	<u>(4,500)</u>	<u>116,324</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Financing Sources	0	276,581	276,581
Other Financing Uses	0	(262,954)	(262,954)
Transfers Out	0	(2,846)	(2,846)
Redemption of Principal	(74,201)	0	(74,201)
Interest and Other Fiscal Charges	(1,993)	0	(1,993)
Advance Out	(20,000)	0	(20,000)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(96,194)</u>	<u>10,781</u>	<u>(85,413)</u>
Net Income	24,630	6,281	30,911
Fund Cash Balances, January 1, 2005	<u>7,971</u>	<u>35,893</u>	<u>43,864</u>
Fund Cash Balances, December 31, 2005	<u>\$32,601</u>	<u>\$42,174</u>	<u>\$74,775</u>
Reserve For Encumbrances	<u>\$361</u>	<u>\$0</u>	<u>\$361</u>

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

**Village of Northfield, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - All Governmental and Similar Fiduciary Fund Types**  
**For the Year Ended December 31, 2004**

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$233,185	\$164,534	\$0	\$17,704	\$415,423
Municipal Income Taxes	773,734	0	0	0	773,734
Intergovernmental	258,673	167,487	0	2,307	428,467
Charges for Services	0	40,305	0	0	40,305
Fines, Licenses and Permits	243,426	15,464	0	0	258,890
Earnings on Investments	3,347	869	0	0	4,216
Miscellaneous	92,035	7,687	0	0	99,722
<b>Total Cash Receipts</b>	<b>1,604,400</b>	<b>396,346</b>	<b>0</b>	<b>20,011</b>	<b>2,020,757</b>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	778,677	251,635	0	20,998	1,051,310
Public Health Services	34,857	0	0	0	34,857
Leisure Time Activities	16,925	0	0	0	16,925
Community Environment	1,709	0	0	0	1,709
Transportation	277,775	89,884	0	0	367,659
General Government	526,202	8,566	0	0	534,768
Debt Service:					
Redemption of Principle	38,000	60,929	0	0	98,929
Interest and Other Fiscal Charges	2,128	28,491	0	0	30,619
Capital Outlay	0	0	29,794	0	29,794
<b>Total Cash Disbursements</b>	<b>1,676,273</b>	<b>439,505</b>	<b>29,794</b>	<b>20,998</b>	<b>2,166,570</b>
<b>Total Cash Receipts Over/(Under)</b>					
Cash Disbursements	(71,873)	(43,159)	(29,794)	(987)	(145,813)
<b>Other Financing Sources/(Uses)</b>					
Advance Out	(20,000)	0	0	0	(20,000)
Sale of Note	100,000	0	0	0	100,000
OPWC Loan Proceeds	0	0	29,794	0	29,794
<b>Total Other Financing Sources/(Uses)</b>	<b>80,000</b>	<b>0</b>	<b>29,794</b>	<b>0</b>	<b>109,794</b>
<b>Excess/(Deficiency) of Cash Receipts and Other Financing</b>					
<b>Sources Over/(Under) Cash Disbursements and Other</b>					
<b>Financing Uses</b>	<b>8,127</b>	<b>(43,159)</b>	<b>0</b>	<b>(987)</b>	<b>(36,019)</b>
<b>Fund Cash Balances, January 1, 2004</b>	<b>122,017</b>	<b>149,739</b>	<b>0</b>	<b>2,871</b>	<b>274,627</b>
<b>Fund Cash Balances, December 31, 2004</b>	<b>\$130,144</b>	<b>\$106,580</b>	<b>\$0</b>	<b>\$1,884</b>	<b>\$238,608</b>
<b>Reserve For Encumbrances</b>	<b>\$6,737</b>	<b>\$5,893</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,630</b>

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

**Village of Northfield, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - Proprietary and Similar Fiduciary Fund Types**  
**For the Year Ended December 31, 2004**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$304,697	\$0	\$304,697
Miscellaneous	0	12,650	12,650
Total Operating Cash Receipts	<u>304,697</u>	<u>12,650</u>	<u>317,347</u>
Operating Cash Disbursements			
Personal Services	112,011	0	112,011
Contractual Services	87,880	2,500	90,380
Supplies and Materials	13,940	0	13,940
Capital Outlay	26,827	0	26,827
Total Operating Cash Disbursements	<u>240,658</u>	<u>2,500</u>	<u>243,158</u>
Operating Income	<u>64,039</u>	<u>10,150</u>	<u>74,189</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Financing Sources	0	266,235	266,235
Other Financing Uses	0	(280,969)	(280,969)
Redemption of Principal	(81,737)	0	(81,737)
Interest and Other Fiscal Charges	(3,964)	0	(3,964)
Advance In	20,000	0	20,000
Total Non-Operating Receipts/(Disbursements)	<u>(65,701)</u>	<u>(14,734)</u>	<u>(80,435)</u>
Net (Loss)	(1,662)	(4,584)	(6,246)
Fund Cash Balances, January 1, 2004	<u>9,633</u>	<u>40,477</u>	<u>50,110</u>
Fund Cash Balances, December 31, 2004	<u>\$7,971</u>	<u>\$35,893</u>	<u>\$43,864</u>
Reserve For Encumbrances	<u>\$120</u>	<u>\$0</u>	<u>\$120</u>

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

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

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

B. Reporting Entity

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

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

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

C. Basis of Accounting

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

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

D. Investments and Inactive Funds

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

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

E. Fund Accounting

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

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

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

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

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

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

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

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

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

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

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

F. Budgetary Process

1. Budget

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

2. Estimated Resources

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

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

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

3. Appropriations

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

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

4. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

G. Property, Plant and Equipment

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

H. Unpaid Vacation and Sick Leave

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



VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

I. Total Columns on Financial Statements

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

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

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

	2005	2004
Demand deposits	(\$83,995)	(\$34,096)
Cash on Hand	1,490	1,500
Total Deposits	<u>(82,505)</u>	<u>(32,596)</u>
STAR Ohio	70	68
Repurchase agreement	525,000	315,000
Total Investments	<u>525,070</u>	<u>315,068</u>
 Total Deposits and Investments	 <u><u>\$442,565</u></u>	 <u><u>\$282,472</u></u>

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

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 was as follows:

2005 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,992,489	\$1,895,688	(\$96,801)
Special Revenue	698,180	508,114	(190,066)
Capital Projects	597,211	415,770	(181,441)
Enterprise	274,721	271,641	(3,080)
Expendable Trust	22,933	21,330	(1,603)
Total	\$3,585,534	\$3,112,543	(\$472,991)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,942,727	\$1,820,378	\$122,349
Special Revenue	618,265	471,586	146,679
Capital Projects	597,212	415,770	181,442
Enterprise	259,357	247,372	11,985
Expendable Trust	21,000	17,362	3,638
Total	\$3,438,561	\$2,972,468	\$466,093

2004 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,787,142	\$1,704,400	(\$82,742)
Special Revenue	640,711	396,346	(244,365)
Capital Projects	627,005	29,794	(597,211)
Enterprise	336,883	324,697	(12,186)
Expendable Trust	25,190	20,011	(5,179)
Total	\$3,416,931	\$2,475,248	(\$941,683)

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY** (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,733,960	\$1,703,010	\$30,950
Special Revenue	586,823	445,398	141,425
Capital Projects	627,005	29,794	597,211
Enterprise	332,007	326,479	5,528
Expendable Trust	21,000	20,998	2
Total	<u>\$3,300,795</u>	<u>\$2,525,679</u>	<u>\$775,116</u>

4. **PROPERTY TAX**

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

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

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

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

5. **INCOME TAX**

The Village levies and collects an income tax of 1.5% on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. The Village has contracted with the Central Collection Agency (CCA) for collection of income taxes. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax to the Village at least quarterly and to file a return annually. The Village received \$1,017,045 and \$773,734 in income taxes during 2005 and 2004, respectively.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

6. **DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Construction Bonds	418,137	5.75%
OPWC Loan #CH10E	305,270	0.00%
Fire Truck Note	13,868	5.44%
OPWC Loan #CH08F	414,585	0.00%
OPWC Loan #CH05G	445,564	0.00%
Total	<u>\$1,597,424</u>	

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

The Ohio Public Works Commission (OPWC) Loan #CH05G relates to a \$627,005 general street reconstruction project as of December 31, 2005 the Village has drawn down \$445,564 of the loan. The loan payments will be made in semi-annual installments of \$15,675 starting July 1, 2007 and will be fully retired on January 1, 2027. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue Street Construction, Maintenance and Repair Fund.

The Ohio Public Works Commission (OPWC) Loan #CH10E relates to a \$348,880 general street reconstruction project. The loan payments have been made in semi-annual installments since July 1, 2003. The semi-annual payments total \$8,722 and will be fully retired on January 1, 2023. Thirty-five percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue Street Construction, Maintenance and Repair Fund.

The Ohio Public Works Commission (OPWC) Loan #CH08F relates to a \$448,200 general street reconstruction project. The loan payments have been made in semi-annual installments since July 1, 2004. The semi-annual payments total \$11,205 and will be fully retired on January 1, 2024. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue Street Construction, Maintenance and Repair Fund.

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

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

6. **DEBT** (continued)

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

Year Ending December 31,	Fire Construction Bonds	OPWC Loan #CH10E	OPWC Loan #CH08F	Fire Truck Note	OPWC Loan #CH05G
2006	\$50,198	\$17,444	\$22,410	\$14,437	\$0
2007	50,198	17,444	22,410	0	15,675
2008	50,198	17,444	22,410	0	31,350
2009	50,198	17,444	22,410	0	31,350
2010	50,198	17,444	22,410	0	31,350
2011-2015	250,990	87,220	112,050	0	156,751
2016-2020	75,297	87,220	112,050	0	156,751
2021-2025	0	43,610	78,435	0	156,751
2026-2027	0	0	0	0	47,027
Total	<u>\$577,277</u>	<u>\$305,270</u>	<u>\$414,585</u>	<u>\$14,437</u>	<u>\$627,005</u>

7. **RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants gross salaries.

8. **RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

9. **JOINTLY GOVERNED ORGANIZATION**

The Northfield-Macedonia Cemetery, City of Macedonia, Northfield Village, Northfield Center Township and Sagamore Hills Township is a jointly governed organization of four local communities. The jointly governed organization was formed based on the boundaries in relation to the cemetery. Each of the communities contributes a nominal fee for the maintenance of the cemetery. This fee is calculated based on the community's tax value. The Cemetery Board consists of

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

there Board members appointed by the respective communities. One of the four communities rotates in not appointing a member each year. During fiscal years 2005 and 2004, the Village's fees were \$8,850 and \$12,642, respectively.

**10. CONTINGENT LIABILITIES**

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

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

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

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

We have audited the financial statements of Village of Northfield, Summit County (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 7, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the Village in a separate letter dated December 7, 2006.

This report is intended solely for the information and use of management and the Village Council and is not intended to be and should not be used by anyone other than those specified parties.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 7, 2006





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF NORTHFIELD**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2007**