

VILLAGE OF NORTHFIELD

SUMMIT COUNTY, OHIO

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Northfield, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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

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

Dave Yost
Auditor of State

December 2, 2014

This page intentionally left blank.

VILLAGE OF NORTHFIELD
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2013 and 2012

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1-2
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2013	3
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2013	4
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7-16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17-18
Schedule of Findings	19-25
Schedule of Prior Audit Findings	26

This page intentionally left blank.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Northfield, Summit County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Northfield, Summit County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



CHARLES E. HARRIS & ASSOCIATES, INC.

October 20, 2014

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 124,817	\$ 265,462	\$ 390,279
Municipal Income Tax	1,246,166	-	1,246,166
Intergovernmental	1,390,246	281,077	1,671,323
Special Assessments	9,789	16,619	26,408
Charges for Services	6,876	153,534	160,410
Fines, Licenses and Permits	255,298	21,073	276,371
Franchise Taxes	38,983	-	38,983
Contributions and Donations	50	-	50
Miscellaneous	25,830	151,303	177,133
<i>Total Cash Receipts</i>	<u>3,098,055</u>	<u>889,068</u>	<u>3,987,123</u>
Cash Disbursements			
Current:			
Security of Persons and Property	1,140,480	540,721	1,681,201
Public Health Services	9,531	-	9,531
Leisure Time Activities	110,310	-	110,310
Community Environment	10,126	-	10,126
Basic Utility Services	1,623	-	1,623
Transportation	320,031	376,065	696,096
General Government	598,696	24,666	623,362
Capital Outlay	703,819	-	703,819
Debt Service:			
Principal Retirement	33,427	147,134	180,561
Interest & Fiscal Charges	3,011	13,941	16,952
<i>Total Cash Disbursements</i>	<u>2,931,054</u>	<u>1,102,527</u>	<u>4,033,581</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	167,001	(213,459)	(46,458)
Other Financing Receipts			
OPWC Loans Issued	-	8,706	8,706
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>8,706</u>	<u>8,706</u>
<i>Net Change in Fund Cash Balances</i>	167,001	(204,753)	(37,752)
<i>Fund Cash Balances, January 1</i>	<u>44,938</u>	<u>247,560</u>	<u>292,498</u>
Fund Cash Balances, December 31			
Nonspendable	635	-	635
Restricted	-	100,123	100,123
Unassigned	211,304	(57,316)	153,988
<i>Fund Cash Balances, December 31</i>	<u>\$ 211,939</u>	<u>\$ 42,807</u>	<u>\$ 254,746</u>

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 261,738	\$ -	\$ 261,738
<i>Total Operating Cash Receipts</i>	261,738	-	261,738
Operating Cash Disbursements			
Personal Services	81,963	-	81,963
Contractual Services	104,315	-	104,315
Supplies and Materials	32,137	-	32,137
<i>Total Operating Cash Disbursements</i>	218,415	-	218,415
<i>Operating Income (Loss)</i>	43,323	-	43,323
Non-Operating Receipts (Disbursements)			
Fines and Forfeitures	-	185,231	185,231
Distribution of Fines	-	(185,898)	(185,898)
Special Assessments	42,634	-	42,634
Intergovernmental	670,693	-	670,693
OPWC Loan Proceeds	5,804	-	5,804
Capital Outlay	(699,313)	-	(699,313)
Principal Retirement	(92,036)	-	(92,036)
Interest and Other Fiscal Charges	(2,973)	-	(2,973)
<i>Total Non-Operating Receipts (Disbursements)</i>	(75,191)	(667)	(75,858)
<i>Net Income (Loss)</i>	(31,868)	(667)	(32,535)
<i>Fund Cash Balances, January 1</i>	45,040	11,332	56,372
<i>Fund Cash Balances, December 31</i>	<u>\$ 13,172</u>	<u>\$ 10,665</u>	<u>\$ 23,837</u>

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 157,554	\$ 273,884	\$ 431,438
Municipal Income Tax	1,107,376	-	1,107,376
Intergovernmental	278,188	169,316	447,504
Special Assessments	17,397	15,331	32,728
Charges for Services	3,196	363,639	366,835
Fines, Licenses and Permits	456,453	16,747	473,200
Franchise Taxes	40,509	-	40,509
Miscellaneous	8,829	963	9,792
<i>Total Cash Receipts</i>	<u>2,069,502</u>	<u>839,880</u>	<u>2,909,382</u>
Cash Disbursements			
Current:			
Security of Persons and Property	1,194,510	601,419	1,795,929
Public Health Services	10,207	-	10,207
Leisure Time Activities	44,416	-	44,416
Community Environment	4,862	-	4,862
Transportation	366,151	502,616	868,767
General Government	710,482	4,210	714,692
Debt Service:			
Principal Retirement	35,320	101,738	137,058
Interest & Fiscal Charges	1,117	15,145	16,262
<i>Total Cash Disbursements</i>	<u>2,367,065</u>	<u>1,225,128</u>	<u>3,592,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(297,563)	(385,248)	(682,811)
Other Financing Receipts			
OPWC Loan Issued	-	377,988	377,988
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>377,988</u>	<u>377,988</u>
<i>Net Change in Fund Cash Balances</i>	(297,563)	(7,260)	(304,823)
<i>Fund Cash Balances, January 1</i>	<u>342,501</u>	<u>254,820</u>	<u>597,321</u>
Fund Cash Balances, December 31			
Nonspendable	635	-	635
Restricted	-	247,560	247,560
Unassigned	44,303	-	44,303
<i>Fund Cash Balances, December 31</i>	<u>\$ 44,938</u>	<u>\$ 247,560</u>	<u>\$ 292,498</u>

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

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 244,485	\$ -	\$ 244,485
<i>Total Operating Cash Receipts</i>	244,485	-	244,485
Operating Cash Disbursements			
Personal Services	74,057	-	74,057
Contractual Services	105,198	-	105,198
Supplies and Materials	26,178	-	26,178
<i>Total Operating Cash Disbursements</i>	205,433	-	205,433
<i>Operating Income (Loss)</i>	39,052	-	39,052
Non-Operating Receipts (Disbursements)			
Fines and Forfeitures	-	158,632	158,632
Distribution of Fines	-	(154,168)	(154,168)
Special Assessments	29,017	-	29,017
OPWC Loan Proceeds	251,992	-	251,992
Capital Outlay	(254,318)	-	(254,318)
Principal Retirement	(66,260)	-	(66,260)
Interest and Other Fiscal Charges	(4,972)	-	(4,972)
<i>Total Non-Operating Receipts (Disbursements)</i>	(44,541)	4,464	(40,077)
<i>Net Income (Loss)</i>	(5,489)	4,464	(1,025)
<i>Fund Cash Balances, January 1, Restated</i>	50,529	6,868	57,397
<i>Fund Cash Balances, December 31</i>	<u>\$ 45,040</u>	<u>\$ 11,332</u>	<u>\$ 56,372</u>

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

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

Jointly Governed Organization:
The Northfield Macedonia Union Cemetery

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

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

Fire Rescue/Ambulance Levy Fund - This fund receives property tax money and charges for services for the operation of the fire department and EMS services.

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

3. Capital Projects Funds

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

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

4. Enterprise Funds

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

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

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no private purpose trust funds.

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

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

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 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 individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$277,003	\$347,290
Cash on Hand	<u>\$1,500</u>	<u>\$1,500</u>
Total deposits	278,503	348,790
STAR Ohio	<u>80</u>	<u>80</u>
 Total deposits and investments	 <u><u>\$278,583</u></u>	 <u><u>\$348,870</u></u>

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

2. Equity in Pooled Deposits and Investments – (Continued)

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,249,436	\$2,931,054	(\$1,681,618)
Special Revenue	1,028,565	1,102,527	(73,962)
Enterprise	960,218	1,012,737	(52,519)
Total	<u>\$3,238,219</u>	<u>\$5,046,318</u>	<u>(\$1,808,099)</u>

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,766,903	\$3,098,055	\$1,331,152
Special Revenue	1,327,128	897,774	(429,354)
Enterprise	932,793	980,869	48,076
Total	<u>\$4,026,824</u>	<u>\$4,976,698</u>	<u>\$949,874</u>

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$2,406,276	\$2,367,065	\$39,211
Special Revenue	1,457,500	1,225,128	232,372
Capital Projects	714,600	0	714,600
Enterprise	549,387	530,983	18,404
Total	<u>\$5,127,763</u>	<u>\$4,123,176</u>	<u>\$1,004,587</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,113,696	\$2,069,502	(\$44,194)
Special Revenue	1,233,775	1,217,868	(15,907)
Capital Projects	714,600	0	(714,600)
Enterprise	537,200	525,494	(11,706)
Total	<u>\$4,599,271</u>	<u>\$3,812,864</u>	<u>(\$786,407)</u>

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. Local Income Tax

The Village levies a municipal income tax of 2 percent in 2012 and 2013 on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Construction Bonds	\$157,114	5.75%
OPWC Loan #CH10E	165,718	0.00%
OPWC Loan #CH08F	235,305	0.00%
OPWC Loan #CH05G	423,229	0.00%
OPWC Loan #CU03J	316,785	0.00%
OPWC Loan #CH09K	433,748	0.00%
OPWC Loan #CH15M	227,358	0.00%
OPWC Loan #CH05O	644,490	0.00%
Fire Truck Lease #1	40,937	3.24%
Fire Truck Lease #2	30,502	3.33%
Service Department Truck Lease #1	17,312	5.45%
Service Department Truck Lease #2	46,695	5.98%
Police Vehicle Lease #1	12,636	3.24%
Police Vehicle Lease #2	34,852	3.35%
Police Equipment Lease	227,000	2.75%
Tap-In Fees	20,000	5.0%
Total	<u>\$3,033,681</u>	

The beginning debt balance was understated by \$5,663.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

6. Debt – (continued)

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

The Ohio Public Works Commission (OPWC) Loan #CH10E relates to a \$348,880 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$8,722 over 20 years. Thirty-five percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue, Street Construction, Maintenance and Repair Fund.

OPWC Loan #CH08F relates to a \$448,200 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$11,205 over 20 years. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue, Street Construction Maintenance, and Repair Fund.

OPWC Loan #CH05G relates to a \$627,005 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$15,675 over 20 years. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue, Street Construction, Maintenance and Repair Fund.

OPWC Loan #CU03J relates to a \$387,900 general street reconstruction project. The loan payments will be paid in semi-annual installments of \$6,465 over 30 years. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue, Street Construction, Maintenance and Repair Fund.

OPWC Loan #CH09K relates to a \$525,755 general street construction project. The loan payments will be paid in semi-annual installments of \$13,144 over 20 years. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue, Street Construction, Maintenance and Repair Fund.

OPWC Loan #CH15M relates to a \$267,480 general street construction project. The loan payments will be paid in semi-annual installments of \$6,687 over 20 years. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue, Street Construction, Maintenance and Repair Fund.

OPWC Loan #CH05O relates to a \$644,490 general street construction project. The loan payments will be paid in semi-annual installments of \$16,112 over 20 years. Forty percent of the loan will be paid from the sewer use charges and the remaining from the Special Revenue, Street Construction, Maintenance and Repair Fund.

The fire truck lease #1 relates to a 2011 fire pumper. Lease payments will be paid in monthly installments of \$1,633, including interest, over 5 years.

The fire truck lease #2 relates to a 2013 Ford F-150. Lease payments will be paid in yearly installments of \$6,506, including interest, over 5 years.

The service department truck lease #1 relates to a 2012 Ford F-250. Lease payments will be paid in annual installments of \$9,519, including interest, over 4 years.

The service department truck lease #2 relates to a 2012 Ford F-650. Lease payments will be paid in annual installments of \$16,505, including interest, over 5 years.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

6. Debt – (continued)

The police vehicle lease #1 relates to a 2013 Ford Explorer. Lease payments will be paid in annual installments of \$6,626 including interest, over 4 years.

The police vehicle lease #2 relates to a 2013 Ford Explorer. Lease payments will be paid in annual installments of \$9,455 including interest, over 4 years.

The police equipment lease relates to a 2013 purchase of police equipments (weapons and holders, badges, radios, cruiser cameras) due to the opening of a new casino in the village. Lease payments will be paid in annual installments of \$118,203 including interest, over 2 years

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

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

Year ending December 31:	Fire Construction Bonds	OPWC Loans	Capital Leases	Tap-In Fees
2014	\$ 50,198	\$ 156,021	\$ 186,505	\$ 11,000
2015	50,198	156,021	185,128	10,500
2016	50,198	156,021	35,831	-
2017	25,099	156,021	16,061	-
2018	-	156,021	-	-
2019-2023	-	681,741	-	-
2024-2028	-	634,652	-	-
2029-2033	-	291,952	-	-
2034-2038	-	58,185	-	-
Total	<u>\$ 175,693</u>	<u>\$ 2,446,635</u>	<u>\$ 423,525</u>	<u>\$ 21,500</u>

7. Retirement Systems

The Village's certified Fire Fighters and full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates.

For 2013 and 2012, OP&F participants contributed 10% of their wages, after July 1, 2013 this rate increased to 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

8. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Commercial inland marine
- Law enforcement liability
- Public officials liability
- Employer's liability
- Commercial excess liability

The Village also provides health insurance, life, dental and vision coverage to all full-time employees.

9. Contingent Liabilities

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

10. Jointly Governed Organizations

The Northfield Macedonia Union Cemetery is a jointly governed organization consisting of the City of Macedonia, Northfield Village, Northfield Center Township and Sagamore Hills Township. The jointly governed organization was formed based on the boundaries in relation to the cemetery. Each of the communities contributes a nominal fee for the maintenance of the cemetery. This fee is calculated based on the community's tax value. The Cemetery Board consists of three Board members appointed by the respective communities. One of the four communities rotates in not appointing a member each year. During fiscal years 2013 and 2012, the Village's fees were \$9,281 and \$9,807, respectively.

11. Subsequent Events

In 2013, tax withheld from employees' payroll was not remitted to the proper taxing agency until June 2014 for the following: federal taxes (\$217,000), state/local taxes (\$70,000), OPERS (\$12,582), OP&F (\$15,719).

12. Prior Period Adjustments

Various misstatements in previous years caused the following restatements to the prior year fund balances.

	General Fund	Special Revenue Funds	Enterprise Funds
Fund cash balance, December 31, 2011	\$339,469	\$258,647	\$50,185
Adjustments	3,032	(3,827)	344
Fund Cash Balance January 1, 2012	\$342,501	\$254,820	\$50,529

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2013 and 2012**

13. Budgetary Noncompliance

Contrary to Ohio Revised Code section 5705.41(D), the Village had disbursements prior to the certification of funds. Contrary to Ohio Revised Code section 5705.41(B), the Village had disbursements exceeding appropriations in various funds. Also, contrary to Ohio Revised Code section 5705.10, the Village had several funds with negative balances.

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Northfield, Summit County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2013-VN-01, 02, 04, 05 and 06 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-VN-03, 07 and 08 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the schedule of findings as items 2013-VN-01, 02, 05, 09, 10 and 11.

We also noted certain matters that we have reported to management of the Village in a separate letter dated October 20, 2014.

Entity's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CHARLES E. HARRIS & ASSOCIATES, INC.
October 20, 2014

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF FINDINGS
December 31, 2013 and 2012

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

FINDING NUMBER 2013-VN-01 Material Weakness and Noncompliance

Mispostings and Misclassifications Resulting in Financial Statement Adjustments

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook (revised March 2014) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. During 2013 and 2012, these misclassifications included the following:

- In each year, Homestead and Rollback monies were misclassified as Property Tax revenue instead of Intergovernmental revenue and were not allocated to the proper funds.
- In each year, Special Assessment revenue was misclassified as Property Tax revenue instead of Special Assessments and recorded at the net amount.
- During 2013, park activities disbursements were misclassified as Security of person and property instead of leisure time activities.
- In each year, municipal income tax was recorded at the net amount.
- In each year, cemetery contributions, payments to county health, and other public health services were classified as Security of persons and property instead of Public Health Services.
- In each year, many debt payments were paid from the wrong funds or the incorrect principal and interest was posted or posted to the incorrect line items.
- During 2012, assessed revenues in the enterprise fund were misclassified as charges for services instead of special assessments.
- The Mayor's court activity was not included in a fund of the Village, thereby understating cash, receipts and disbursements in both years.

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF FINDINGS
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
--

FINDING NUMBER 2013-VN-01 Material Weakness and Noncompliance – continued

Management agrees with these adjustments and they were adjusted in the Village's records and the accompanying financial statements.

We recommend the Village use more caution to ensure all activities of the Village are recorded accurately. The Village's Fiscal Officer should refer to the Village Officers' Handbook and the UAN Handbook to ensure proper fund and account classification. We also recommend that management review the draft financial statements and ledgers to help ensure that they are supported by sufficient and accurate documentation and free of obvious errors and omissions. Finally, we recommend that all Mayor's court activity be included in the accounting system.

FINDING NUMBER 2013-VN-02 Material Weakness and Noncompliance

Improper recording of OPWC grant

Ohio Rev. Code § 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2013, the Village received grants from the Ohio Public Works Commission (OPWC) for \$670,693 for construction of a sanitary sewer on behalf of the Village. Under the terms of this agreement, OPWC made project payments directly to the vendor/contractors on the Village's behalf. These on-behalf payments were not recorded in the Village's accounting records, thus understating their enterprise funds' intergovernmental and capital outlay disbursements.

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. Additionally, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

FINDING NUMBER 2013-VN-03 Significant Deficiency

Segregation of Duties

Ohio Admin. Code § 117-2-01(D)(4) states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The Service Department Administrative Clerk receipts all cash and checks received for licenses, permits, snow plow billing, donations, posts all payments to the Service Department Billing System, completes the receipts drop off to the Village Hall without adequate supporting documentation. The Village has not established adequate compensating controls to mitigate the risk of the lack of segregation of duties.

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF FINDINGS
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued

FINDING NUMBER 2013-VN-03 Significant Deficiency – continued

By ensuring that either adequate segregation of duties or compensating controls have been implemented, the Village's cash receipts would be better safeguarded against fraud or misstatement.

We recommend that duties related to the collection and deposit of revenue be segregated to ensure that no individual has control over all phases of the process. Understanding it is not always possible to have enough staff to adequately segregate duties, management should take a more active role in monitoring collections, such as examining the contents of deposits, reviewing collection records, and requiring individuals independent of specific transactions periodically review the work performed for accuracy.

FINDING NUMBER 2013-VN-04 Material Weakness

Bank Reconciliations

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. The reconciliation of the Village's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Village. As part of the bank reconciliation, all differences between the balance appearing on the financial statements and the balance of cash according to the Village's records should be accounted for.

The Village's bank accounts and fund balances were not reconciled during fiscal year 2013 and 2012. The Village Fiscal Officer contracted with an external consultant with governmental experience (LGS) to perform a proof-of-cash reconciliation for the two year audit period. Upon conclusion of the reconciliations being performed and as a result of audit adjustments noted in 2013-VN-01, the Village's books were adjusted by (\$116,072) and (\$125,205) for 2013 and 2012, respectively.

All adjustments were posted to the Village's financial accounting system and to the audited financial statements.

We recommend the Village implement procedures to help ensure that bank statements are reconciled to the Village's books in a timely manner. We further recommend the bank reconciliations be presented to the Finance Committee so they can sign off and present to the entire Council for approval on a monthly basis within the minute records. All reconciling amounts should be easily identifiable and explained.

FINDING NUMBER 2013-VN-05 Material Weakness and Noncompliance

Income tax and OPERS late payments and penalties

Internal Revenue Code (IRC) 26 U.S.C. §3401 through §3406 requires the Village to withhold federal, state, and local income and employment-related taxes. It also requires the Village to report those tax matters to the appropriate tax authorities and to the recipients.

The Village withheld federal and state taxes from its employees, including the elected officials in 2012 and 2013. However, many of those withholdings weren't paid until 2014. Further, the Village failed to file the required quarterly federal tax documents (Form 941) in a timely manner. As a result, the Village was assessed interest and penalties.

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF FINDINGS
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
--

FINDING NUMBER 2013-VN-05 Material Weakness and Noncompliance - continued

In addition, retirement contributions withheld but the Village failed to submit the employee and employer amounts to OPERS and OP&F on the basis as required by Ohio Rev. Code Sections 145.01, 145.03, 145.47, and 145.48. This resulted in the Village being assessed fines and interest.

As of the end of the date of this report all amounts have now been remitted. However, all penalties and interest have not been paid off in their entirety as the Village is contesting some of those charges. These are unnecessary expenditures and should be avoided by paying invoices and taxes/withholdings when they become due.

We recommend the Village develop procedures to insure all taxes and pension amounts are properly withheld and remitted to the appropriate agencies in a timely manner.

FINDING NUMBER 2013-VN-06 Material Weakness

Posting estimated revenues and appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in varying amounts posted to the accounting system and information available to the Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts and appropriations as certified by the County Budget Commission and Council.

We recommend the Village implement procedures to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission and Council after each amendment.

FINDING NUMBER 2013-VN-07 Significant Deficiency

Overtime approval, Comp time

The Village has internal control procedures in place for the processing of employees' payrolls and timesheets. Some of these procedures include prior managerial approval of overtime on timesheets to be signed by the employee and the department head.

During review of 72 timesheets, we noted no prior managerial approval on any overtime incurred by three service department employees during both 2012 and 2013.

Failure to maintain controls over the approval of overtime beginning with the notations of when, where, and why employees' additional work outside of normal business hours had to be undertaken and making sure that the additional work was appropriately approved by a supervisor can lead to errors and excessive payment without management and Council being aware.

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF FINDINGS
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
--

FINDING NUMBER 2013-VN-07 Significant Deficiency - continued

The Finance Department's Office should determine the appropriate form to use for payroll as required by Village's Handbook Chapter 4, Section 4.2 and review for appropriate managerial approval of overtime prior to processing payroll. In addition, we recommend the Finance department maintain all original documents for payroll transactions.

FINDING NUMBER 2013-VN-08 Significant Deficiency

Inspection Fees, Service Department

The Village of Northfield's Service department Exhibit A section 1262.05, permit fees, established an inspection fee of \$100 to be paid by the resident "in the event that the applicant request an inspection by the municipality for a time that is outside the inspector's regular work hours and the inspector is available to conduct such an inspection".

Throughout our testing, we noted that the Service department conducted inspection outside of regular work hours and failed to charge applicants the established inspection fees. This deprived the Village of income to offset overtime paid to the inspector.

The Village should put in place procedures to ensure that the proper fees are charged by the service department for inspections done outside of regular hours. The fee collected should also be recorded and distributed in the proper fund of the Village's accounting system in accordance with established ordinances.

FINDING NUMBER 2013-VN-09 Noncompliance

Ohio Rev. Code 5705.41(D) – Purchase Orders

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF FINDINGS
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
--

FINDING NUMBER 2013-VN-09 Noncompliance - continued

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2013 and 2012, 15% of purchase orders tested were not certified by the Finance Director prior to incurring the obligation. The transactions had no evidence of the above mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability.

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF FINDINGS
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued

FINDING NUMBER 2013-VN-10 – Noncompliance

Expenditures Exceeding Appropriations

Section 5705.41 (B), Ohio Revised Code, prohibits the Village from making expenditure unless it has been properly appropriated. The funds listed below were found to have expenditures plus encumbrances exceeding appropriations:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
2013			
General Fund	\$ 1,249,436	\$ 2,931,054	\$ (1,681,618)
Special Revenue-EMS/Fire	564,291	629,089	(64,798)
Special Revenue-SCMR	305,802	329,074	(23,272)
Special Revenue-State Highway	76,272	113,285	(37,013)
Enterprise-Sewer	960,218	1,012,737	(52,519)

We recommend the Village monitor appropriations and expenditures plus encumbrances regularly and amend appropriations as necessary to avoid overspending.

FINDING NUMBER 2013-VN-11 Noncompliance

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Street, Construction and Maintenance – Special Revenue, State Highway – Special Revenue and the Law Enforcement Trust – Special Revenue Funds had deficit fund balances as of December 31, 2013 of \$53,763, \$2,458 and \$1,095, respectively.

We recommend that fund activity be closely monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Management Response: The above findings were incurred under the previous fiscal officer. The Village has since hired a fiscal officer with significant governmental accounting experience and are in the process of working through these findings to correct going forward.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2013 and 2012**

The prior audit, for the years ended December 31, 2011 and 2010, reported no material citations or recommendations.



Dave Yost • Auditor of State

VILLAGE OF NORTHFIELD

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2014**