



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of North Fairfield (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

May 2, 2002

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$17,394		\$17,394
Intergovernmental Receipts	59,850	\$20,017	79,867
Charges for Services	17,470		17,470
Fines, Licenses, and Permits	160		160
Earnings on Investments	5,065	1,571	6,636
Miscellaneous	3,880		3,880
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	103,819	21,588	125,407
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,111		5,111
Leisure Time Activities	7,019		7,019
Community Environment	6,144		6,144
Basic Utility Services	16,800		16,800
Transportation		20,061	20,061
General Government	56,607		56,607
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	91,681	20,061	111,742
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	12,138	1,527	13,665
Fund Cash Balances, January 1	70,119	45,361	115,480
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Fund Cash Balances, December 31	\$82,257	\$46,888	\$129,145
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$31,858
Miscellaneous	301
	32,159
 Total Operating Cash Receipts	 32,159
Operating Cash Disbursements:	
Personal Services	17,782
Contractual Services	4,375
Supplies and Materials	5,286
Capital Outlay	8,302
	35,745
 Total Operating Cash Disbursements	 35,745
 Operating Loss	 (3,586)
Non-Operating Cash Disbursements:	
Debt Service	300
	300
 Excess of Disbursements Over Receipts	 (3,886)
 Fund Cash Balances, January 1	 44,535
 Fund Cash Balances, December 31	 \$40,649

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

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$11,943		\$11,943
Intergovernmental Receipts	59,848	\$32,767	92,615
Charges for Services	16,872		16,872
Fines, Licenses, and Permits	140		140
Earnings on Investments	6,656	1,244	7,900
Miscellaneous	3,935		3,935
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	99,394	34,011	133,405
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,923		1,923
Public Health Services	118		118
Leisure Time Activities	15,611		15,611
Community Environment	5,146		5,146
Basic Utility Services	16,748		16,748
Transportation		43,063	43,063
General Government	67,578		67,578
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	107,124	43,063	150,187
	<hr/>	<hr/>	<hr/>
Total Receipts Under Disbursements	(7,730)	(9,052)	(16,782)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances January 1	77,849	54,413	132,262
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$70,119	\$45,361	\$115,480
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$29,689
Miscellaneous	165
	29,854
Total Operating Cash Receipts	29,854
Operating Cash Disbursements:	
Personal Services	15,814
Fringe Benefits	
Contractual Services	6,315
Supplies and Materials	5,503
	27,632
Total Operating Cash Disbursements	27,632
Operating Income	2,222
Fund Cash Balances, January 1	42,313
Fund Cash Balances, December 31	\$44,535

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

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of North Fairfield, Huron County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utilities, trash removal, and fire services. The Village contracts with Fairfield Township to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY

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

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$169,794</u>	<u>\$160,015</u>

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,912	\$103,819	(\$1,093)
Special Revenue	23,760	21,588	(2,172)
Enterprise	29,900	32,159	2,259
Total	\$158,572	\$157,566	(\$1,006)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,809	\$91,681	\$89,128
Special Revenue	63,344	20,061	43,283
Enterprise	74,435	36,045	38,390
Total	\$318,588	\$147,787	\$170,801

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,069	\$99,394	\$325
Special Revenue	30,800	34,011	3,211
Enterprise	34,000	29,854	(4,146)
Total	\$163,869	\$163,259	(\$610)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$176,918	\$107,124	\$69,794
Special Revenue	85,211	43,063	42,148
Enterprise	76,313	27,632	48,681
Total	\$338,442	\$177,819	\$160,623

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

4. PROPERTY TAX

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

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

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

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

5. DEBT

The Village had a \$2,700, interest free, Ohio Water Development Authority (OWDA) loan outstanding at December 31, 2001.

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

Amortization of the above debt is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2002	\$300
2003	300
2004	300
2005	300
2006	300
2007 – 2010	<u>1,200</u>
Total	<u>\$2,700</u>

6. RETIREMENT SYSTEMS

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

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial property;
- General liability;
- Employee benefits liability;
- Employer's liability;
- Commercial auto;
- Commercial inland marine; and
- Public official's liability.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of North Fairfield (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 2, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated May 2, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated May 2, 2002.

Village of North Fairfield
Huron County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

May 2, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

VILLAGE OF NORTH FAIRFIELD

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 4, 2002**