

VILLAGE OF NORTHFIELD

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

Varney, Fink & Associates, Inc.
Certified Public Accountants



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, 2006 through December 31, 2007. 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

November 17, 2008

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**VILLAGE OF NORTHFIELD
FOR THE YEARS ENDED DECEMBER 31, 2007
AND DECEMBER 31, 2006**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Village of Northfield (the Village), as of and for the years ended December 31, 2007 and December 31, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 reasonably assure 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 the 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, 2007 and December 31, 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (ie. major) funds separately for 2007 and 2006. 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 GAAP presentation requirements. The Auditor of State permits, but does not require certain governments to reformat their statements. The Village has elected not to reformat its statements. Since this 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.

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, 2007, and December 31, 2006, 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, 2007, and December 31, 2006, or its changes in financial position for the years then ended.

INDEPENDENT AUDITOR'S REPORT (continued)

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Northfield, as of December 31, 2007, and December 31, 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2007 and December 31, 2006. 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 October 3, 2008 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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

October 3, 2008

Village of Northfield, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental Fund Types

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$238,715	\$201,605	\$0	\$440,320
Municipal Income Taxes	1,238,613	0	0	1,238,613
Intergovernmental	250,756	190,453	277,853	719,062
Charges for Services	0	98,938	0	98,938
Fines, Licenses and Permits	226,798	12,973	0	239,771
Earnings on Investments	48,411	5,372	0	53,783
Miscellaneous	179,826	649	0	180,475
Total Cash Receipts	2,183,119	509,990	277,853	2,970,962
Cash Disbursements				
Current:				
Security of Persons and Property	861,445	341,437	0	1,202,882
Public Health Services	34,637	0	0	34,637
Leisure Time Activities	121,801	0	0	121,801
Community Environment	4,087	0	0	4,087
Transportation	482,369	94,352	0	576,721
General Government	583,366	2,290	0	585,656
Debt Service:				
Redemption of Principal	88,079	43,594	0	131,673
Interest and Other Fiscal Charges	23,306	3,416	0	26,722
Capital Outlay	0	0	277,853	277,853
Total Cash Disbursements	2,199,090	485,089	277,853	2,962,032
Total of Cash Receipts Over/(Under)				
Cash Disbursements	(15,971)	24,901	0	8,930
Other Financing Sources/(Uses)				
Other Financing Sources	0	74,423	0	74,423
Total Other Financing Sources/(Uses)	0	74,423	0	74,423
Excess of Cash Receipts and Other Financing				
Sources Over/(Under) Cash Disbursements and Other				
Financing Uses				
	(15,971)	99,324	0	83,353
Fund Cash Balances, January 1, 2007	602,116	156,695	0	758,811
Fund Cash Balances, December 31, 2007	\$586,145	\$256,019	\$0	\$842,164
Reserve For Encumbrances	\$16,344	\$7,103	\$0	\$23,447

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, 2007

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$263,824	\$0	\$263,824
Miscellaneous	0	500	500
Total Operating Cash Receipts	<u>263,824</u>	<u>500</u>	<u>264,324</u>
Operating Cash Disbursements			
Contractual Services	192,546	2,750	195,296
Capital Outlay	13,428	0	13,428
Total Operating Cash Disbursements	<u>205,974</u>	<u>2,750</u>	<u>208,724</u>
Operating Income (Loss)	<u>57,850</u>	<u>(2,250)</u>	<u>55,600</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Financing Sources	0	253,360	253,360
Other Financing Uses	0	(251,065)	(251,065)
Redemption of Principal	(27,610)	0	(27,610)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(27,610)</u>	<u>2,295</u>	<u>(25,315)</u>
Net Income	30,240	45	30,285
Fund Cash Balances, January 1, 2007	<u>24,060</u>	<u>30,327</u>	<u>54,387</u>
Fund Cash Balances, December 31, 2007	<u>\$54,300</u>	<u>\$30,372</u>	<u>\$84,672</u>
Reserve For Encumbrances	<u>\$5,960</u>	<u>\$0</u>	<u>\$5,960</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 Fund Types
For the Year Ended December 31, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$254,827	\$201,880	\$0	\$456,707
Municipal Income Taxes	1,279,628	0	0	1,279,628
Intergovernmental	258,331	296,651	110,047	665,029
Charges for Services	0	45,077	0	45,077
Fines, Licenses and Permits	254,535	12,931	0	267,466
Earnings on Investments	35,306	5,372	0	40,678
Miscellaneous	251,885	297	0	252,182
Total Cash Receipts	2,334,512	562,208	110,047	3,006,767
Cash Disbursements				
Current:				
Security of Persons and Property	799,330	235,431	0	1,034,761
Public Health Services	35,953	0	0	35,953
Leisure Time Activities	64,922	0	0	64,922
Community Environment	5,480	0	0	5,480
Transportation	473,243	209,873	291,488	974,604
General Government	625,484	10,425	0	635,909
Debt Service:				
Redemption of Principle	0	77,571	0	77,571
Interest and Other Fiscal Charges	0	27,987	0	27,987
Total Cash Disbursements	2,004,412	561,287	291,488	2,857,187
Total Cash Receipts Over/(Under)				
Cash Disbursements	330,100	921	(181,441)	149,580
Other Financing Sources/(Uses)				
Note Proceeds	60,000	0	0	60,000
Loan Proceeds	0	0	181,441	181,441
Total Other Financing Sources/(Uses)	60,000	0	181,441	241,441
Excess/(Deficiency) of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	390,100	921	0	391,021
Fund Cash Balances, January 1, 2006	212,016	155,774	0	367,790
Fund Cash Balances, December 31, 2006	\$602,116	\$156,695	\$0	\$758,811
Reserve For Encumbrances	\$5,544	\$3,254	\$0	\$8,798

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, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$263,500	\$0	\$263,500
Miscellaneous	0	5,250	5,250
Total Operating Cash Receipts	<u>263,500</u>	<u>5,250</u>	<u>268,750</u>
Operating Cash Disbursements			
Personal Services	47,343	0	47,343
Contractual Services	112,234	0	112,234
Supplies and Materials	9,143	0	9,143
Capital Outlay	80,716	0	80,716
Other	0	15,500	15,500
Total Operating Cash Disbursements	<u>249,436</u>	<u>15,500</u>	<u>264,936</u>
Operating Income (Loss)	<u>14,064</u>	<u>(10,250)</u>	<u>3,814</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Financing Sources	0	248,185	248,185
Other Financing Uses	0	(249,782)	(249,782)
Redemption of Principal	(22,605)	0	(22,605)
Total Non-Operating Receipts/(Disbursements)	<u>(22,605)</u>	<u>(1,597)</u>	<u>(24,202)</u>
Net (Loss)	(8,541)	(11,847)	(20,388)
Fund Cash Balances, January 1, 2006	<u>32,601</u>	<u>42,174</u>	<u>74,775</u>
Fund Cash Balances, December 31, 2006	<u>\$24,060</u>	<u>\$30,327</u>	<u>\$54,387</u>
Reserve For Encumbrances	<u>\$1,513</u>	<u>\$0</u>	<u>\$1,513</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, 2007 AND DECEMBER 31, 2006

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, 2007 AND DECEMBER 31, 2006

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, 2007 AND DECEMBER 31, 2006

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) – Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village’s only fiduciary fund is an agency fund to account for the Mayor’s Court activity.

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, 2007 AND DECEMBER 31, 2006

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 2007 and 2006 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, 2007 AND DECEMBER 31, 2006

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:

	2007	2006
Demand deposits	(\$64,740)	(\$73,376)
Cash on Hand	1,500	1,500
Total Deposits	<u>(63,240)</u>	<u>(71,876)</u>
STAR Ohio	76	74
Repurchase agreement	990,000	885,000
Total Investments	<u>990,076</u>	<u>885,074</u>
 Total Deposits and Investments	 <u>\$926,836</u>	 <u>\$813,198</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, 2007 AND DECEMBER 31, 2006

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and December 31, 2006 was as follows:

2007 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,228,221	\$2,183,119	(\$45,102)
Special Revenue	531,555	584,413	52,858
Capital Projects	278,000	277,853	(147)
Enterprise	255,600	263,824	8,224
Total	\$3,293,376	\$3,309,209	\$15,833

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,397,194	\$2,215,434	\$181,760
Special Revenue	592,743	492,192	100,551
Capital Projects	278,000	277,853	147
Enterprise	275,883	239,544	36,339
Total	\$3,543,820	\$3,225,023	\$318,797

2006 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,990,113	\$2,394,512	\$404,399
Special Revenue	612,849	562,208	(50,641)
Capital Projects	371,442	291,488	(79,954)
Enterprise	253,000	263,500	10,500
Total	\$3,227,404	\$3,511,708	\$284,304

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

3. **BUDGETARY ACTIVITY** (continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,107,094	\$2,009,956	\$97,138
Special Revenue	610,930	564,541	46,389
Capital Projects	371,442	291,488	79,954
Enterprise	274,781	273,554	1,227
Total	<u>\$3,364,247</u>	<u>\$3,139,539</u>	<u>\$224,708</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 2% 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 \$1,238,613 and \$1,279,628 in income taxes during 2007 and 2006, respectively.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

6. **DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Construction Bonds	363,526	5.75%
OPWC Loan #CH10E	261,660	0.00%
OPWC Loan #CH08F	358,560	0.00%
OPWC Loan #CH05G	595,660	0.00%
Total	<u>\$1,579,406</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. The loan payments have been made in semi-annual installments of \$15,675 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.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

6. **DEBT** (continued)

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

Year Ending December 31,	Fire Construction Bonds		OPWC Loans
	Principal	Interest	Principal
2008	\$29,716	\$20,482	\$71,204
2009	31,450	18,748	71,204
2010	33,284	16,914	71,204
2011	35,226	14,973	71,204
2012	37,280	12,918	71,204
2013-2017	196,570	29,322	356,021
2018-2022	0	0	356,021
2023-2025	0	0	147,818
Total	<u>\$363,526</u>	<u>\$113,357</u>	<u>\$1,215,880</u>

7. **CAPITAL LEASES**

The Village has entered into lease agreements for ambulances used by the Village Fire Department. The monthly payments including interest totaled \$1,318 and \$1,387, respectively and will be fully retired on December 10, 2011 and October 15, 2012, respectively. The leases will be paid from the Fire Levy Fund.

The following is a schedule of future minimum lease payments and the present value of the minimum lease payments as of December 31, 2007:

Year Ending December 31,	Lease Payments
2008	\$26,922
2009	28,241
2010	29,627
2011	29,764
2012	13,575
Total minimum lease payments	128,129
Less: Amount representing interest	(14,245)
Present value of net minimum lease payments	<u>\$113,884</u>

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

8. 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 2007 and 2006, 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 13.77% of participants gross salaries.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

10. JOINTLY GOVERNED ORGANIZATION

The Northfield-Macedonia Cemetery, City of Macedonia, Northfield Village, Northfield Center Township and Sagamore Hills Township are a jointly governed organization of four local communities. The jointly governed organization was formed based on the boundaries in relation to the cemetery. Each of the communities contributes a nominal fee for the maintenance of the cemetery. This fee is calculated based on the community's tax value. The Cemetery Board consists of three Board members appointed by the respective communities. One of the four communities rotates in not appointing a member each year. During fiscal years 2007 and 2006, the Village's fees were \$10,262 and \$12,419, respectively.

11. 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.

VILLAGE OF NORTHFIELD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

12. FUND RECLASSIFICATIONS

The Police Disability and Pension Fund previously reported as an expendable trust fund has been reclassified to a special revenue fund classification. Fund cash balance at January 1, 2006 have been adjusted as follows:

	Special Revenue Funds	Expendable Trust Fund
	<u> </u>	<u> </u>
Fund Cash Balance as Previously Reported at December 31, 2005	\$149,922	\$5,852
Reclassification of Funds	<u>5,852</u>	<u>(5,852)</u>
Fund Cash Balance Restated January 1, 2006	<u><u>\$155,774</u></u>	<u><u>\$0</u></u>

**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***

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

We have audited the financial statements of the Village of Northfield (the Village), as of and for the years ended December 31, 2007, and December 31, 2006, and have issued our report thereon dated October 3, 2008, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

**Village of Northfield
Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards**

Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

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*.

We noted certain matters that we reported to management of the Village, in a separate letter dated October 3, 2008.

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

October 3, 2008

VILLAGE OF NORTHFIELD
SUMMIT COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2006

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

Finding 2007-01 **SIGNIFICANT DEFICIENCY**

Financial Statement Adjustments

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village made the following audit reclassifications to the December 31, 2007 financial statements:

- 1) Reclassified \$131,673 principle expenses and \$23,306 interest expenses from current expenses to debt services expenses.

The Village made the following audit reclassifications to the December 31, 2006 financial statements:

- 1) Reclassified \$181,441 loan proceeds from Intergovernmental receipts to loan proceeds.

The Finance Director should review the adjustments and reclassifications identified above and ensure that similar errors are not reported on financial statements in subsequent years.

Corrective Action: Contact Person: Robert Riedal, Finance Director

Reclassify current expenses to debt service expenses and intergovernmental receipts to loan proceeds on financial statement in subsequent years.



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
DECEMBER 2, 2008**