



Dave Yost • Auditor of State

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Northfield
Summit County
10455 Northfield Rd.
Northfield, OH 44067

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Northfield, Summit County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 such 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Northfield, Summit County as of December 31, 2017 and 2016, 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 19, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 19, 2018

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$364,073	\$1,787,430	\$0	\$2,151,503
Municipal Income Tax	3,728,358	0	0	3,728,358
Intergovernmental	259,978	718,168	176,321	1,154,467
Special Assessments	10,711	0	0	10,711
Charges for Services	2,110	199,515	0	201,625
Fines, Licenses and Permits	176,135	9,993	0	186,128
Franchise Tax	34,621	0	0	34,621
Contributions and Donations	0	50	0	50
Miscellaneous	180,690	6,756	0	187,446
<i>Total Cash Receipts</i>	<u>4,756,676</u>	<u>2,721,912</u>	<u>176,321</u>	<u>\$7,654,909</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,104,167	880,249	0	1,984,416
Public Health Services	24,088	0	0	24,088
Community Environment	10,668	0	0	10,668
Basic Utility Services	719,189	0	0	719,189
Transportation	0	1,239,259	321,858	1,561,117
General Government	1,427,587	1,016,943	0	2,444,530
Capital Outlay	(503,599)	534,284	0	30,685
Debt Service:				
Principal Retirement	57,856	155,236	0	213,092
Interest and Fiscal Charges	3,573	1,892	0	5,465
<i>Total Cash Disbursements</i>	<u>2,843,529</u>	<u>3,827,863</u>	<u>321,858</u>	<u>6,993,250</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,913,147</u>	<u>(1,105,951)</u>	<u>(145,537)</u>	<u>661,659</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	1,745	0	0	1,745
Transfers In	0	1,255,500	0	1,255,500
Transfers Out	(1,380,500)	0	0	(1,380,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,378,755)</u>	<u>1,255,500</u>	<u>0</u>	<u>(123,255)</u>
<i>Net Change in Fund Cash Balances</i>	534,392	149,549	(145,537)	538,404
<i>Fund Cash Balances, January 1</i>	<u>2,152,536</u>	<u>663,272</u>	<u>397,364</u>	<u>3,213,172</u>
Fund Cash Balances, December 31				
Nonspendable	135,882	0	0	135,882
Restricted	0	812,821	251,827	1,064,648
Assigned	481,194	0	0	481,194
Unassigned (Deficit)	2,069,852	0	0	2,069,852
<i>Fund Cash Balances, December 31</i>	<u>\$2,686,928</u>	<u>\$812,821</u>	<u>\$251,827</u>	<u>\$3,751,576</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 (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 264,716	\$0	\$ 264,716
Fines, Licenses and Permits	900	\$0	900
Fines and Forfeitures (Mayor's Court)	\$0	\$170,226	170,226
Miscellaneous	7,061	0	7,061
<i>Total Operating Cash Receipts</i>	<u>272,677</u>	<u>170,226</u>	<u>442,903</u>
Operating Cash Disbursements			
Personal Services	142,198	0	142,198
Contractual Services	188,927	0	188,927
Supplies and Materials	25	0	25
Disbursement of Fees (Mayor's Court)	0	162,789	162,789
Other	20,980	0	20,980
<i>Total Operating Cash Disbursements</i>	<u>352,130</u>	<u>162,789</u>	<u>514,919</u>
<i>Operating Income (Loss)</i>	<u>(79,453)</u>	<u>7,437</u>	<u>(72,016)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	30,902	0	30,902
Capital Outlay	(71,362)	0	(71,362)
Principal Retirement	(61,536)	0	(61,536)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(101,996)</u>	<u>0</u>	<u>(101,996)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(181,449)</u>	<u>7,437</u>	<u>(174,012)</u>
Transfers In	<u>125,000</u>	<u>0</u>	<u>125,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(56,449)</u>	<u>7,437</u>	<u>(49,012)</u>
<i>Fund Cash Balances, January 1</i>	<u>123,695</u>	<u>23,657</u>	<u>147,352</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$67,246</u></u>	<u><u>\$31,094</u></u>	<u><u>\$98,340</u></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, 2017**

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.

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 permitted by the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit. 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 permitted by the financial reporting provisions of Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03 (D).

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.

Investment in Star Ohio is measured at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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, 2017
(Continued)**

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:

Ledge Road Improvement 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, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2017 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. The Village had no committed fund balance.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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:

	2017
Demand deposits	\$3,848,835
Cash on Hand	1,000
Total deposits	3,849,835
STAR Ohio	81
Total deposits and investments	\$3,849,916

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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$5,430,612	\$4,727,628	\$702,984
Special Revenue	3,510,896	3,827,863	(316,967)
Capital Projects	415,368	321,858	93,510
Enterprise	531,547	485,028	46,519
Total	<u>\$9,888,423</u>	<u>\$9,362,377</u>	<u>\$526,046</u>

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,131,875	\$5,262,020	\$1,130,145
Special Revenue	3,645,611	3,977,413	331,802
Capital Projects	185,493	176,321	(9,172)
Enterprise	425,000	428,580	3,580
Total	<u>\$8,387,979</u>	<u>\$9,844,334</u>	<u>\$1,456,355</u>

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 2017 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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

6. DEBT

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Department Ambulance	\$ 141,355	2.93%
OPWC Loan #CH10E	95,942	0.00%
OPWC Loan #CH08F	145,665	0.00%
OPWC Loan #CH05G	297,827	0.00%
OPWC Loan #CH09K	328,597	0.00%
OPWC Loan #CH15M	173,862	0.00%
OPWC Loan #CH05O	515,591	0.00%
OPWC Loan #CU03J	265,065	0.00%
Service Department Equipment Lease	80,857	2.76%
Service Department Salt Loader	107,933	2.93%
Total	<u>\$2,152,694</u>	

The Fire Department Ambulance lease relates to a 2017 Lifeline Victory Liner Type III E-450 Super-Duty ambulance. Lease payments will be paid in yearly installments of \$30,804, including interest, over 6 years.

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 #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.

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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

6. DEBT (continued)

The Service Department Equipment lease relates to the purchase of a skidsteer and backhoe. Lease payments will be paid in annual installments of \$28,454, including interest, over 5 years.

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

Year Ending December 31:	OPWC Loans	Capital Leases
2018	\$ 156,021	\$ 82,778
2019	156,021	82,778
2020	156,021	82,778
2021	156,021	54,324
2022	156,021	54,324
2023-2027	607,494	-
2028-2032	331,614	-
2033-2037	96,874	-
2038-2042	6,465	-
Total	\$ 1,822,552	\$ 356,982

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 2017, OP&F participants contributed 12.25% of their wages. For 2017, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% for the full-time fire fighters wages. For 2017, 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, 2017.

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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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 year 2017, the Village's fees were \$10,668.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$378,180	\$1,831,852	\$0	\$2,210,032
Municipal Income Tax	4,000,604	0	0	4,000,604
Intergovernmental	714,984	211,313	173,038	1,099,335
Special Assessments	8,448	0	0	8,448
Charges for Services	2,896	199,871	0	202,767
Fines, Licenses and Permits	208,369	12,902	0	221,271
Franchise Tax	36,191	0	0	36,191
Contributions and Donations	2,275	100	0	2,375
Miscellaneous	19,652	1,626	0	21,278
<i>Total Cash Receipts</i>	<u>5,371,599</u>	<u>2,257,664</u>	<u>173,038</u>	<u>\$7,802,301</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,077,321	664,190	0	1,741,511
Public Health Services	24,335	0	0	24,335
Community Environment	11,287	0	0	11,287
Basic Utility Services	552,217	0	0	552,217
Transportation	16,255	311,318	471,474	799,047
General Government	1,602,481	962,430	0	2,564,911
Capital Outlay	(55,365)	321,349	0	265,984
Debt Service:				
Principal Retirement	33,684	142,814	0	176,498
Interest and Fiscal Charges	4,224	3,502	0	7,726
<i>Total Cash Disbursements</i>	<u>3,266,439</u>	<u>2,405,603</u>	<u>471,474</u>	<u>6,143,516</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,105,160</u>	<u>(147,939)</u>	<u>(298,436)</u>	<u>1,658,785</u>
Other Financing Receipts (Disbursements)				
Transfers In		457,612	695,800	1,153,412
Transfers Out	(1,153,412)			(1,153,412)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,153,412)</u>	<u>457,612</u>	<u>695,800</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	951,748	309,673	397,364	1,658,785
<i>Fund Cash Balances, January 1</i>	<u>1,200,788</u>	<u>353,599</u>	<u>0</u>	<u>1,554,387</u>
Fund Cash Balances, December 31				
Nonspendable	1,916	0	0	1,916
Restricted	0	663,272	397,364	1,060,636
Assigned	175,243	0	0	175,243
Unassigned (Deficit)	1,975,377	0	0	1,975,377
<i>Fund Cash Balances, December 31</i>	<u>\$2,152,536</u>	<u>\$663,272</u>	<u>\$397,364</u>	<u>\$3,213,172</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 (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 260,161		\$ 260,161
Fines, Licenses and Permits	1,280	\$193,782	195,062
Miscellaneous	168	347	515
<i>Total Operating Cash Receipts</i>	<u>261,609</u>	<u>194,129</u>	<u>455,738</u>
Operating Cash Disbursements			
Personal Services	102,765		102,765
Contractual Services	50,854		50,854
Supplies and Materials	7,996		7,996
Disbursement of Fees (Mayor's Court)		197,875	197,875
Other	10,153		10,153
<i>Total Operating Cash Disbursements</i>	<u>171,768</u>	<u>197,875</u>	<u>369,643</u>
<i>Operating Income (Loss)</i>	<u>89,841</u>	<u>(3,746)</u>	<u>86,095</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	51,935		51,935
Principal Retirement	(61,536)		(61,536)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(9,601)</u>	<u>0</u>	<u>(9,601)</u>
<i>Net Change in Fund Cash Balances</i>	80,240	(3,746)	76,494
<i>Fund Cash Balances, January 1</i>	<u>43,455</u>	<u>27,403</u>	<u>70,858</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$123,695</u></u>	<u><u>\$23,657</u></u>	<u><u>\$147,352</u></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, 2016**

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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.

Investment in Star Ohio is measured at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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, 2016
(Continued)**

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:

Ledge Road Improvement 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, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2016 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. The Village had no committed fund balance.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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:

	2016
Demand deposits	\$3,359,444
Cash on Hand	1,000
Total deposits	3,360,444
STAR Ohio	80
Total deposits and investments	\$3,360,524

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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$5,189,760	\$4,419,851	\$769,909
Special Revenue	2,474,670	2,405,603	69,067
Capital Projects	702,365	471,474	230,891
Enterprise	263,486	233,304	30,182
Total	\$8,630,281	\$7,530,232	\$1,100,049

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,593,620	\$5,371,599	\$777,979
Special Revenue	3,629,104	2,715,276	(913,828)
Capital Projects	1,344,000	868,838	(475,162)
Enterprise	350,000	313,544	(36,456)
Total	\$9,916,724	\$9,269,257	(\$647,467)

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 2016 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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Construction Bonds	\$ 24,398	5.75%
Fire Department Ambulance	171,170	2.93%
OPWC Loan #CH10E	113,386	0.00%
OPWC Loan #CH08F	168,075	0.00%
OPWC Loan #CH05G	329,178	0.00%
OPWC Loan #CH09K	354,885	0.00%
OPWC Loan #CH15M	187,236	0.00%
OPWC Loan #CH05O	547,816	0.00%
OPWC Loan #CU03J	277,995	0.00%
Fire Truck Lease #2	6,297	3.33%
Police Cruiser Lease	9,148	3.35%
Service Department Equipment Lease	106,374	2.76%
Service Department Salt Loader	131,122	2.93%
Total	<u>\$2,427,080</u>	

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 Special Revenue Fire Levy Fund.

The Fire Department Ambulance lease relates to a 2017 Lifeline Victory Liner Type III E-450 Super-Duty ambulance. Lease payments will be paid in yearly installments of \$30,804, including interest, over 6 years.

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 #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.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. DEBT (continued)

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.

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.

The Fire Department truck lease #2 relates to a 2015 Ford F-150. Lease payments will be paid in yearly installments of \$6,506, including interest, over 5 years.

The Police Department cruiser lease relates to a 2013 Ford Police Interceptor Utility vehicle. Lease payments will be paid in annual installments of \$9,455, including interest, over 4 years.

The Service Department Equipment lease relates to the purchase of a skidsteer and backhoe. Lease payments will be paid in annual installments of \$28,454, including interest, 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
2017	\$ 25,099	\$ 156,021	\$ 98,739
2018	-	156,021	82,778
2019	-	156,021	82,778
2020	-	156,021	82,778
2021	-	156,021	54,324
2022-2026	-	663,024	54,324
2027-2031	-	386,951	-
2032-2036	-	129,099	-
2037-2041	-	19,395	-
Total	<u>\$ 25,099</u>	<u>\$ 1,978,574</u>	<u>\$ 455,721</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 2016, OP&F participants contributed 12.25% of their wages. For 2016, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% for the full-time fire fighters wages. For 2016, 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, 2016.

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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 year 2016, the Village's fees were \$11,286.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Rd.
Northfield, OH 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 cash balances, receipts and disbursements by fund type of the Village of Northfield, Summit County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 19, 2018

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

Financial Statement Preparation Internal Controls

<i>Finding Number</i>	2017-001
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following exceptions and/or violations were noted due to a deficiency in the design, implementation and maintenance of internal control relevant to preparing and fairly presenting financial statements:

Recording On-Behalf Payments

In 2016, the Ohio Public Works Commission (OPWC) made three payments to a vendor on behalf of the Village. Of these payments, one payment of \$170,993 was not recorded within the Village's accounting system, due to the timing of the payment at year-end, resulting in an understatement of Capital Projects Fund Intergovernmental Revenue and Transportation Disbursements of \$170,993 as reported in the 2016 financial statements. The \$170,993 OPWC payment was subsequently recorded within the Village's accounting system in 2017 resulting in an overstatement of Capital Projects Intergovernmental Revenue and Transportation Disbursements of \$170,993 as reported in the 2017 financial statements. Failure to formally appropriate and record on-behalf monies can result in inaccurate financial statements. The appropriation and recording of on-behalf monies is a key control in the reporting process to assure the financial statements are properly and accurately presented. *[For additional information refer to Ohio Rev. Code §5705.42 relating to on behalf payments which are deemed appropriated and shall be recorded by the subdivision when the grant or loan of money is made by the state or any department, division, agency authority or unit.]*

Fund Balance Classification

For 2017 and 2016, the Village's Financial Statements did not properly report the General Fund outstanding encumbrances at year end as assigned fund balance. Therefore, the General Fund unassigned fund balance was overstated by \$481,194 and \$175,243, respectively and the assigned fund balance was understated by the equivalent amount. Governments preparing regulatory statements are required to implement Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement 54 guidelines require encumbered amounts which are not reported within restricted, committed or assigned fund balances classifications be reported as either committed or assigned fund balances. For additional information refer to Auditor of State Bulletin 2011-004.

Presentation of Budgetary Activity Note

Budgetary compliance requirements and Budgetary Activity Note reflected the following deficiencies:

- In 2017, the Ohio Public Works Commission made payment to a vendor on behalf of the Village in the amount of \$5,328. Although this amount was included in the Village's Accounting System, the amount was not included in the approved appropriations for the Capital Projects Fund nor was it included in the Capital Projects Budgetary Disbursements Balance on the Budgetary Activity Note. Therefore, the Capital Projects Fund Budgetary Disbursements were understated by \$5,328. Additionally, noted the \$5,328 was not included in the Capital Projects Fund Actual Receipts, resulting in the Actual Receipts on the Budgetary Activity Note being understated by \$5,328.
- For 2017 and 2016, the Finance Director improperly included the Total Estimated Available Resources (January 1 Unencumbered Fund Balance plus estimate receipts) as part of the Budgeted Receipts in the Budgetary Activity Note. However, the Budgetary Activity Note should only reflect current year budgeted receipts. As a result, the Budgeted Receipts were overstated in the following respective funds: General Fund by \$1,975,378, Special Revenue Funds by \$650,854, Capital Projects Funds by \$269,148, and Enterprise Fund by \$123,695. Additionally, the 2016 Budgetary Activity Note Budgeted Receipts were overstated in the following respective funds: General Fund by \$1,194,450, Special Revenue Funds by \$196,959 and Enterprise Fund by \$43,380. Amounts presented as Budgetary Activity Note Estimated Receipts should only reflect current year receipts.
- For 2016, the Finance Director only included the Other Financing Receipts amount of \$695,800 for the Capital Projects Fund as Actual Receipts and inadvertently missed the Intergovernmental Receipts of \$173,038. As a result Budgetary Activity Note Actual Receipts were understated by \$173,038. The amounts presented as Budgetary Activity Note Actual Receipts should include all current year receipts.
- For 2017, the Finance Director did not include the Unclaimed Funds activity in the Budgetary Activity Note Actual Receipts for the General Fund. However, the General Fund Financial Statement presentation includes the Unclaimed Funds Activity. Therefore, the Budgetary Activity Note for the General Fund Actual Receipts was understated by \$133,966. The Financial Statements General Fund activity should agree with the Budgetary Activity Note activity.

The financial statements and note disclosures were subsequently adjusted by the Village to reflect the aforementioned activity.

To help ensure the financial statements are presented properly, the Village should review the design, implementation and maintenance of internal control relevant to preparing and fairly presenting financial statements and updated and/or clarify the procedures and expected practices and develop appropriate procedures to ensure proper reporting and compliance.

Official's Response: The Finance Director has read the findings from the Auditor of State's Office, and the errors will be corrected in the future



The Village of Northfield

10455 Northfield Road | Northfield OH 44067 | 330-467-7139 | Fax 330-468-2518

Mayor Jesse J. Nehez

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Audit Adjustments & Reclassifications – The Village did not include Mayor’s Court activities in their financial statements plus other reporting errors were noted.	Partially Corrected	Mayor’s Court activities were properly included in the 2017 and 2016 financial statements. However, errors were noted in reporting of General Fund equity classifications, recording OPWC on-behalf payments and presentation of budgetary notes.
2015-002	Bank Reconciliations – Monthly bank reconciliations were not performed in 2014 and 2015	Corrected	
2015-003	Noncompliance with ORC 5705.41(D)(1) – 50% of expenditures were not certified by the Fiscal Officer in 2014	Corrected	
2015-004	Noncompliance with ORC 5705.41(B) – Budgetary disbursements exceeded appropriations in the General Fund, Street Construction Fund, Maintenance and Repair Fund, Fire Levy Fund and Sewer Fund	Corrected	
2015-005	Noncompliance with	Corrected	

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VILLAGE OF NORTHFIELD

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2018