



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NORTH FAIRFIELD
HURON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2019	5
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Proprietary Fund For the Year Ended December 31, 2019	6
Notes to the Financial Statements - For the Year Ended December 31, 2019	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018	14
Statement of Receipts, Disbursements, and Change in Fund Balances (Regulatory Cash Basis) - Proprietary Fund For the Year Ended December 31, 2018	15
Notes to the Financial Statements - For the Year Ended December 31, 2018	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Summary Schedule of Prior Audit Findings (Prepared by Management)	27

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Village of North Fairfield
Huron County
3 East Main Street
P.O. Box 188
North Fairfield, Ohio 44855

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 North Fairfield, Huron County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 2 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, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of North Fairfield, Huron County, Ohio as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

October 13, 2020

This page intentionally left blank.

Village of North Fairfield
Huron County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$22,880	\$2,828	\$25,708
Intergovernmental	35,851	27,187	63,038
Charges for Services	26,585		26,585
Fines, Licenses and Permits	5,275		5,275
Earnings on Investments	3,779	772	4,551
Miscellaneous	165		165
<i>Total Cash Receipts</i>	<u>94,535</u>	<u>30,787</u>	<u>125,322</u>
Cash Disbursements			
Current:			
Security of Persons and Property	9,792		9,792
Leisure Time Activities	4,260		4,260
Community Environment	1,215		1,215
Basic Utility Services	22,335	599	22,934
Transportation		11,341	11,341
General Government	54,475	23,387	77,862
Debt Service:			
Principal Retirement	10,010	4,684	14,694
<i>Total Cash Disbursements</i>	<u>102,087</u>	<u>40,011</u>	<u>142,098</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(7,552)</u>	<u>(9,224)</u>	<u>(16,776)</u>
Other Financing Receipts			
Other Financing Sources	3,489	549	4,038
<i>Net Change in Fund Cash Balances</i>	(4,063)	(8,675)	(12,738)
<i>Fund Cash Balances, January 1</i>	<u>78,802</u>	<u>42,997</u>	<u>121,799</u>
Fund Cash Balances, December 31			
Restricted		34,322	34,322
Assigned	74,381		74,381
Unassigned	358		358
<i>Fund Cash Balances, December 31</i>	<u>\$74,739</u>	<u>\$34,322</u>	<u>\$109,061</u>

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

Village of North Fairfield
Huron County
Statement of Receipts, Disbursements,
and Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund
For the Year Ended December 31, 2019

	Enterprise
Operating Cash Receipts	
Charges for Services	\$57,319
Operating Cash Disbursements	
Personal Services	17,504
Employee Fringe Benefits	318
Contractual Services	12,736
Supplies and Materials	34,737
<i>Total Operating Cash Disbursements</i>	65,295
<i>Operating Loss</i>	(7,976)
Non-Operating Receipts (Disbursements)	
Principal Retirement	(5,260)
Other Financing Sources	162
<i>Total Non-Operating Receipts (Disbursements)</i>	(5,098)
<i>Net Change in Fund Cash Balance</i>	(13,074)
<i>Fund Cash Balance, January 1</i>	102,492
<i>Fund Cash Balance, December 31</i>	\$89,418

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of North Fairfield (the Village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, trash removal services, park operations (leisure time activities), road and bridge maintenance (transportation) and general government services. The Village contracts with Fairfield Township for fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the proprietary fund which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund The Street Construction, Maintenance, and Repair Fund accounts for and reports that portion of the state gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Fund 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's Enterprise Fund is as follows:

Water Operating Fund The Water Operating Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

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.

The Village's 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.

Capital Assets

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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:

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

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.

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

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$95,786	\$98,024	\$2,238
Special Revenue	27,560	31,336	3,776
Capital Projects	10,737		(10,737)
Enterprise	62,380	57,481	(4,899)
Total	\$196,463	\$186,841	(\$9,622)

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,195	\$102,213	\$30,982
Special Revenue	70,421	40,177	30,244
Capital Projects	10,737		10,737
Enterprise	164,562	70,663	93,899
Total	\$378,915	\$213,053	\$165,862

Note 4 – Deposits and Investments

The Village maintains a deposits 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:

	2019
Demand deposits	\$24,261
STAR Ohio	174,218
Total deposits and investments	\$198,479

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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

Note 5 – Property Taxes

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.

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 6 – Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$38,432,610
Actuarial liabilities	\$14,705,917

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
KS StateBank Lease	\$30,213	5.66%
Ohio Water Development Authority Loan 7026	2,135	0.00%
Ohio Public Works Commission Loan CI17J	21,995	0.00%
Ohio Public Works Commission Loan CI42Q	14,854	0.00%
Total	\$69,197	

Ohio Public Works Commission Loan (OPWC) CI17J relates to the repair and upgrades to the Village water tower. The Village will repay the loan through semiannual installments through the year 2032.

OPWC Loan CI42Q relates to replacement of fire hydrants within the Village. The Village will repay the loan through semiannual installments through the year 2046.

In 2015, the Village entered into a loan with the Ohio Water Development Authority (OWDA). OWDA Loan 7026 is for the Water Supply and Treatment Engineering project. The Village will repay the loan through semiannual installments through the year 2020.

Leases

In 2018, the Village entered into a lease with KS StateBank for a truck. The Village disbursed \$8,651 to pay lease costs for the year ended December 31, 2019.

Amortization

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Year Ending December 31:	KS			
	StateBank Lease	OWDA Loan 7026	OPWC Loan CI17J	OPWC Loan CI42Q
2020	\$8,651	\$2,135	\$1,692	\$560
2021	8,651		1,692	560
2022	8,651		1,692	560
2023	8,651		1,692	560
2024			1,692	560
2025-2029			8,460	2,803
2030-2034			5,075	2,803
2035-2039				2,803
2040-2044				2,803
2045-2046				842
Total	<u>\$34,604</u>	<u>\$2,135</u>	<u>\$21,995</u>	<u>\$14,854</u>

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The investments of the pension and other employee benefit plans in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 – Compliance

Contrary to Ohio law, the Fiscal Officer transferred monies without the required tax commissioner approval.

Village of North Fairfield
Huron County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$25,660	\$2,597	\$28,257
Intergovernmental	34,753	22,962	57,715
Charges for Services	31,602		31,602
Fines, Licenses and Permits	5,058		5,058
Earnings on Investments	907	209	1,116
Miscellaneous	925		925
<i>Total Cash Receipts</i>	<u>98,905</u>	<u>25,768</u>	<u>124,673</u>
Cash Disbursements			
Current:			
Security of Persons and Property	9,880		9,880
Leisure Time Activities	3,091		3,091
Community Environment	1,317		1,317
Basic Utility Services	22,812		22,812
Transportation		10,896	10,896
General Government	52,019	23,003	75,022
Debt Service:			
Principal Retirement	8,178	358	8,536
Interest	2,836		2,836
<i>Total Cash Disbursements</i>	<u>100,133</u>	<u>34,257</u>	<u>134,390</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,228)</u>	<u>(8,489)</u>	<u>(9,717)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	3,145		3,145
Other Financing Uses	(518)		(518)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,627</u>		<u>2,627</u>
<i>Net Change in Fund Cash Balances</i>	1,399	(8,489)	(7,090)
<i>Fund Cash Balances, January 1</i>	<u>77,403</u>	<u>51,486</u>	<u>128,889</u>
Fund Cash Balances, December 31			
Restricted		42,997	42,997
Assigned	37,409		37,409
Unassigned	41,393		41,393
<i>Fund Cash Balances, December 31</i>	<u>\$78,802</u>	<u>\$42,997</u>	<u>\$121,799</u>

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

Village of North Fairfield
Huron County
Statement of Receipts, Disbursements,
and Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund
For the Year Ended December 31, 2018

	Enterprise
Operating Cash Receipts	
Charges for Services	\$61,281
Operating Cash Disbursements	
Personal Services	18,228
Employee Fringe Benefits	419
Contractual Services	17,917
Supplies and Materials	28,650
<i>Total Operating Cash Disbursements</i>	65,214
<i>Operating Loss</i>	(3,933)
Non-Operating Receipts (Disbursements)	
Capital Outlay	(11,219)
Principal Retirement	(3,531)
Other Financing Sources	28
<i>Total Non-Operating Receipts (Disbursements)</i>	(14,722)
<i>Net Change in Fund Cash Balance</i>	(18,655)
<i>Fund Cash Balance, January 1</i>	121,147
<i>Fund Cash Balance, December 31</i>	\$102,492

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of North Fairfield (the Village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, trash removal services, park operations (leisure time activities), road and bridge maintenance (transportation) and general government services. The Village contracts with Fairfield Township for fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the proprietary fund which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund The Street Construction, Maintenance, and Repair Fund accounts for and reports that portion of the state gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Fund 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's Enterprise Fund is as follows:

Water Operating Fund The Water Operating Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

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.

The Village's 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.

Capital Assets

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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:

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

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.

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

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$96,006	\$102,050	\$6,044
Special Revenue	27,435	25,768	(1,667)
Enterprise	57,400	61,309	3,909
Total	\$180,841	\$189,127	\$8,286

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,447	\$101,100	\$30,347
Special Revenue	77,846	34,257	43,589
Enterprise	176,347	79,964	96,383
Total	\$385,640	\$215,321	\$170,319

Note 4 – Deposits and Investments

The Village maintains a deposits 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:

	2018
Demand deposits	\$23,175
STAR Ohio	201,116
Total deposits and investments	\$224,291

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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

Note 5 – Property Taxes

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.

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 6 – Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,965,015

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
PNC Bank Loan	\$5,942	6.73%
KS StateBank Lease	36,782	5.66%
Ohio Water Development Authority Loan 7026	5,000	0.00%
Ohio Public Works Commission Loan CI17J	23,687	0.00%
Ohio Public Works Commission Loan CI42Q	15,414	0.00%
Total	\$86,825	

Ohio Public Works Commission (OPWC) Loan CI17J relates to the repair and upgrades to the Village water tower. The Village will repay the loan through semiannual installments through the year 2032.

OPWC Loan CI42Q relates to replacement of fire hydrants within the Village. The Village will repay the loan through semiannual installments through the year 2046.

In 2015, the Village entered into a loan with the Ohio Water Development Authority (OWDA). OWDA Loan 7026 is for the Water Supply and Treatment Engineering project. The Village will repay the loan through semiannual installments through the year 2020.

In 2017, the Village entered into a loan with PNC Bank for the replacement of the furnace within the Village hall. The Village will repay the loan through the year 2021.

Leases

In 2018, the Village entered into a lease with KS StateBank for a truck. The Village disbursed \$8,651 to pay lease costs for the year ended December 31, 2018.

Amortization

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

Village of North Fairfield
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Year Ending December 31:	PNC Bank Loan	KS StateBank Lease	OWDA Loan 7026	OPWC Loan CI17J	OPWCS Loan CI42Q
2019	\$2,864	\$8,651	\$2,865	\$1,692	\$560
2020	2,864	8,651	2,135	1,692	560
2021	690	8,651		1,692	560
2022		8,651		1,692	560
2023		8,651		1,692	560
2024-2028				8,460	2,803
2029-2033				6,767	2,803
2034-2038					2,803
2039-2043					2,803
2044-2046					1,402
Total	<u>\$6,418</u>	<u>\$43,255</u>	<u>\$5,000</u>	<u>\$23,687</u>	<u>\$15,414</u>

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The investments of the pension and other employee benefit plans in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Village of North Fairfield
Huron County
3 East Main Street
P.O. Box 188
North Fairfield, Ohio 44855

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 North Fairfield, Huron County, Ohio, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated October 13, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

Village's Responses to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

October 13, 2020

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

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.

We identified the following errors that required adjustment to the notes to the financial statements for the year ended December 31, 2019:

- General Fund appropriation authority and budgetary expenditures were decreased in the amounts of \$39,512 and \$30,533, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget and actual amounts;
- Special Revenue Fund Type budgetary expenditures were decreased in the amount \$14,681 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the actual amount; and
- Enterprise Fund Type budgetary expenditures were decreased in the amount \$93,899 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the actual amount.

These errors were not identified and corrected prior to the Village preparing its notes financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2019 and 2018.

To help ensure the Village's notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Village Council to help identify and correct errors and omissions.

Officials' Response:

The Fiscal Officer will review the mispostings and take them into consideration for future audits.

FINDING NUMBER 2019-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.15 provides that in addition to the transfers authorized in section 5705.14 of the Ohio Rev. Code, the taxing authority of any political subdivision may, in the manner provided in this section and section 5705.16 of the Ohio Rev. Code, transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

Ohio Rev. Code § 5705.16 requires the Village to petition the tax commissioner (effective after June 30, 2017) for approval of such transfers.

During the year ended December 31, 2019 the Fiscal Officer incorrectly transferred \$4,666 and \$358 from the Water Operating Fund and the Street Construction, Maintenance, and Repair Fund, respectively, to the Other Capital Projects Fund without obtaining the required approval from the tax commissioner as outlined above.

Failing to obtain proper approval of transfers could result in an improper use of Village funds and result in audit adjustments. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors and record the debt service payments in the funds originally making the transfers. The Village Council should only approve transfers that are allowable in accordance with the Ohio Revised Code and should request approval of the tax commissioner when deemed necessary.

Officials' Response:

The Fiscal Officer will review transfers to make sure they are according to the ORC.



Incorporated
1939

VILLAGE OF NORTH FAIRFIELD

P.O. BOX 188 – 3 EAST MAIN STREET
NORTH FAIRFIELD, OHIO 44855
TELEPHONE (419) 744-2235 FAX (419) 744-2251

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness for errors in financial reporting initially reported as Finding 2015-001.	Not corrected and reissued as finding 2019-001 in this report.	This matter was not corrected due to deficiencies in the Village's internal controls over financial reporting. The Fiscal Officer will review the mispostings and take them into consideration for future audits.
2017-002	Ohio Rev. Code § 5705.05 and 1981 Ohio Att'y Gen. Op. No. 81-035 and material weakness for not properly paying debt payments from allowable funds.	Fully corrected	
2017-003	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Fully corrected	

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NORTH FAIRFIELD

HURON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/5/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov