



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NORTHFIELD
SUMMIT COUNTY

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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 Village of Northfield, Summit 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 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, 2019 and 2018, 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 Village of Northfield, Summit County 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 1.

Emphasis of a Matter

As discussed in Note 11 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 28, 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.



Keith Faber
Auditor of State

Columbus, Ohio

October 28, 2020

Village of Northfield, Ohio

Summit 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$424,583	\$1,925,708		\$2,350,291
Municipal Income Tax	4,330,303			4,330,303
Intergovernmental	214,091	367,538	\$485,078	1,066,707
Special Assessments	3,728			3,728
Charges for Services	400	192,054		192,454
Fines, Licenses and Permits	196,174	10,408		206,582
Earnings on Investments	46,406	3,020		49,426
Miscellaneous	168,657			168,657
<i>Total Cash Receipts</i>	<u>5,384,342</u>	<u>2,498,728</u>	<u>485,078</u>	<u>8,368,148</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,396,095	1,121,752		2,517,847
Public Health Services	22,816			22,816
Community Environment	10,290			10,290
Basic Utility Services	764,442			764,442
Transportation		192,435	574,090	766,525
General Government	2,056,647	1,392,368		3,449,015
Capital Outlay		214,721		214,721
Debt Service:				
Principal Retirement	69,469	193,228		262,697
Interest and Fiscal Charges	6,026	5,917		11,943
<i>Total Cash Disbursements</i>	<u>4,325,785</u>	<u>3,120,421</u>	<u>574,090</u>	<u>8,020,296</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,058,557</u>	<u>(621,693)</u>	<u>(89,012)</u>	<u>347,852</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	21,493			21,493
Transfers In		896,000		896,000
Transfers Out	(896,000)			(896,000)
Advances In			28,000	28,000
Advances Out	(28,000)			(28,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(902,507)</u>	<u>896,000</u>	<u>28,000</u>	<u>21,493</u>
<i>Net Change in Fund Cash Balances</i>	<u>156,050</u>	<u>274,307</u>	<u>(61,012)</u>	<u>369,345</u>
<i>Fund Cash Balances, January 1</i>	<u>3,878,679</u>	<u>1,290,086</u>	<u>213,717</u>	<u>5,382,482</u>
Fund Cash Balances, December 31				
Nonspendable	135,674			135,674
Restricted		1,564,393	152,705	1,717,098
Assigned	46,732			46,732
Unassigned (Deficit)	3,852,323			3,852,323
<i>Fund Cash Balances, December 31</i>	<u>\$4,034,729</u>	<u>\$1,564,393</u>	<u>\$152,705</u>	<u>\$5,751,827</u>

See accompanying notes to the basic financial statements

Village of Northfield, Ohio*Summit County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2019*

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$263,340		\$263,340
Fines and Forfeitures (Mayor's Court)		\$158,215	158,215
Miscellaneous	5,284		5,284
<i>Total Operating Cash Receipts</i>	<u>268,624</u>	<u>158,215</u>	<u>426,839</u>
Operating Cash Disbursements			
Personal Services	119,677		119,677
Disbursement of Fees (Mayor's Court)		177,950	177,950
Contractual Services	52,351		52,351
Supplies and Materials	22,102		22,102
Other	5,284		5,284
<i>Total Operating Cash Disbursements</i>	<u>199,414</u>	<u>177,950</u>	<u>377,364</u>
<i>Operating Income (Loss)</i>	<u>69,210</u>	<u>(19,735)</u>	<u>49,475</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	40,587		40,587
Principal Retirement	(61,536)		(61,536)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(20,949)</u>	<u>0</u>	<u>(20,949)</u>
<i>Net Change in Fund Cash Balances</i>	48,261	(19,735)	28,526
<i>Fund Cash Balances, January 1</i>	<u>143,428</u>	<u>47,102</u>	<u>190,530</u>
<i>Fund Cash Balances, December 31</i>	<u>\$191,689</u>	<u>\$27,367</u>	<u>\$219,056</u>

See accompanying notes to the basic financial statements

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2019**

Summary of Significant Accounting Policies

A. Reporting 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 one jointly governed organization: The Northfield Macedonia Union Cemetery. See Note 10 to the financial statements provide additional information for this entity.

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

B. Accounting Basis/Basis of Presentation

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).

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 combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 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:

1. General Fund

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

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2019**

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.

Northfield Park Tax Increment Financing Fund – This fund accounts for property tax increases within the TIF district and the public improvement expenditures allowed within the TIF agreement.

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, 2019**

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 legal level of control and appropriations may not exceed estimated resources. The Village's legal level of control is the Personal Service, Capital, and Other Operating by Program level for the General Fund and the Personal Service, Capital, and Other Operating level for all other funds. 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 2019 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. .

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2019**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (Continued)

3. 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.

4. 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. 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.

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:

	2019
Demand deposits	<u>\$5,831,388</u>
Cash on Hand	<u>1,000</u>
Total deposits	5,832,388
STAR Ohio	<u>138,525</u>
 Total deposits and investments	 <u><u>\$5,970,883</u></u>

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2019**

2. Equity in Pooled Deposits and Investments (continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,497,524	\$ 5,450,834	\$ 953,310
Special Revenue	3,751,862	3,394,728	(357,134)
Capital Projects	438,353	513,078	74,725
Enterprise	412,679	309,211	(103,468)
Total	\$ 9,100,418	\$ 9,667,851	\$ 567,433

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 6,705,727	\$ 5,296,517	\$ (1,409,210)
Special Revenue	5,141,482	3,485,813	(1,655,669)
Capital Projects	718,742	638,392	(80,350)
Enterprise	389,309	267,224	(122,085)
Total	\$ 12,955,260	\$ 9,687,946	\$ (3,267,314)

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.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2019**

5. Local Income Tax

The Village levied a municipal income tax of 2 percent in 2019 on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Department Ambulance	\$ 59,002	2.93%
Fire Department Transit Ambulance	\$ 60,073	4.58%
OPWC Loan #CH10E	61,054	0.00%
OPWC Loan #CH08F	100,845	0.00%
OPWC Loan #CH05G	235,127	0.00%
OPWC Loan #CU03J	239,205	0.00%
OPWC Loan #CH15M	147,114	0.00%
OPWC Loan #CH09K	276,021	0.00%
OPWC Loan #CH05O	451,142	0.00%
OPWC Loan #CH08U	533,524	0.00%
Service Department Equipment Lease	27,689	2.76%
Service Department Salt Loader	45,051	2.93%
Total	<u><u>\$2,235,847</u></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 Fire Department Transit Ambulance lease relates to a 2019 Ford Medix SRH-148 II Ambulance. Lease payments will be paid in yearly installments of \$13,714, 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.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2019**

6. Debt (continued)

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.

OPWC Loan #CH08U relates to a \$576,783 general street construction project. The loan payments will be paid in semi-annual installments of \$14,420 over 20 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.

The Service Department Equipment lease relates to the purchase of a wheel loader. Lease payments will be paid in annual installments of \$23,521, including interest, over 6 years.

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

Year Ending December 31:	OPWC Loans	Capital Leases
2020	\$ 184,860	\$ 96,492
2021	184,860	68,038
2022	184,860	68,038
2023	176,138	13,714
2024	156,211	13,714
2025-2029	646,653	-
2030-2034	364,262	-
2035-2038	146,192	-
Total	<u>\$ 2,044,036</u>	<u>\$ 259,996</u>

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2019**

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 2019, OP&F participants contributed 12.25% of their wages. For 2019, 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 2019, 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, 2019.

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 Board is appointed on a rotational basis by the respective four communities. During fiscal year 2019, the Village's fees were \$10,290.

11. 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 Village's investment portfolio fluctuate with market conditions, and due to the 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' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of Northfield, Ohio*Summit 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$445,981	\$1,874,415		\$2,320,396
Municipal Income Tax	4,439,058			4,439,058
Intergovernmental	213,663	265,992	\$1,797,239	2,276,894
Special Assessments	8,328			8,328
Charges for Services	3,935	179,318		183,253
Fines, Licenses and Permits	225,738	15,953		241,691
Earnings on Investments	18,091	1,094		19,185
Miscellaneous	74,856	2,405		77,261
<i>Total Cash Receipts</i>	<u>5,429,650</u>	<u>2,339,177</u>	<u>1,797,239</u>	<u>9,566,066</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,221,325	937,184		2,158,509
Public Health Services	23,695			23,695
Community Environment	9,938			9,938
Basic Utility Services	726,853			726,853
Transportation	0	213,681	1,835,349	2,049,030
General Government	1,593,904	1,159,909		2,753,813
Capital Outlay	0	27,430		27,430
Debt Service:				
Principal Retirement	46,580	135,566		182,146
Interest and Fiscal Charges	5,394	4,142		9,536
<i>Total Cash Disbursements</i>	<u>3,627,689</u>	<u>2,477,912</u>	<u>1,835,349</u>	<u>7,940,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,801,961</u>	<u>(138,735)</u>	<u>(38,110)</u>	<u>1,625,116</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	5,790			5,790
Transfers In		616,000		616,000
Transfers Out	(616,000)			(616,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(610,210)</u>	<u>616,000</u>	<u>0</u>	<u>5,790</u>
<i>Net Change in Fund Cash Balances</i>	1,191,751	477,265	(38,110)	1,630,906
<i>Fund Cash Balances, January 1</i>	<u>2,686,928</u>	<u>812,821</u>	<u>251,827</u>	<u>3,751,576</u>
Fund Cash Balances, December 31				
Nonspendable	135,661			135,661
Restricted		1,290,086	213,717	1,503,803
Assigned	697,468			697,468
Unassigned (Deficit)	3,045,550			3,045,550
<i>Fund Cash Balances, December 31</i>	<u>\$3,878,679</u>	<u>\$1,290,086</u>	<u>\$213,717</u>	<u>\$5,382,482</u>

See accompanying notes to the basic financial statements 13

Village of Northfield, Ohio*Summit County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2018*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$262,604		\$262,604
Fines, Licenses and Permits	6,199		6,199
Fines and Forfeitures (Mayor's Court)		\$263,680	263,680
<i>Total Operating Cash Receipts</i>	<u>268,803</u>	<u>263,680</u>	<u>532,483</u>
Operating Cash Disbursements			
Personal Services	97,829		97,829
Disbursement of Fees (Mayor's Court)	0	247,672	247,672
Contractual Services	64,136		64,136
Supplies and Materials	2,861		2,861
Other	8,331		8,331
<i>Total Operating Cash Disbursements</i>	<u>173,157</u>	<u>247,672</u>	<u>420,829</u>
<i>Operating Income (Loss)</i>	<u>95,646</u>	<u>16,008</u>	<u>111,654</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	42,072		42,072
Principal Retirement	(61,536)		(61,536)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(19,464)</u>	<u>0</u>	<u>(19,464)</u>
<i>Net Change in Fund Cash Balances</i>	<u>76,182</u>	<u>16,008</u>	<u>92,190</u>
<i>Fund Cash Balances, January 1</i>	<u>67,246</u>	<u>31,094</u>	<u>98,340</u>
<i>Fund Cash Balances, December 31</i>	<u>\$143,428</u>	<u>\$47,102</u>	<u>\$190,530</u>

See accompanying notes to the basic financial statements

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2018**

1. Summary of Significant Accounting Policies

A. Reporting 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 one jointly governed organization: The Northfield Macedonia Union Cemetery. See Note 10 to the financial statements provide additional information for this entity.

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

B. Accounting Basis/Basis of Presentation

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).

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 combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 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:

1. General Fund

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

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2018**

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.

Northfield Park Tax Increment Financing Fund – This fund accounts for property tax increases within the TIF district and the public improvement expenditures allowed within the TIF agreement.

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, 2018**

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 legal level of control and appropriations may not exceed estimated resources. The Village's legal level of control is the Personal Service, Capital, and Other Operating by Program level for the General Fund and the Personal Service, Capital, and Other Operating level for all other funds. 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 2018 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.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2018**

1. Summary of Significant Accounting Policies (continued)

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.

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. 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.

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.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2018**

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:

	2018
Demand deposits	\$5,436,659
Cash on Hand	1,000
Total deposits	5,437,659
STAR Ohio	135,353
Total deposits and investments	\$5,573,012

Deposits: Deposits are insured by the Federal Depository Insurance Corporation collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,623,601	\$ 5,435,440	\$ 1,811,839
Special Revenue	2,788,883	2,955,177	166,294
Capital Projects	1,658,935	1,797,239	138,304
Enterprise	315,000	310,875	(4,125)
Total	\$ 8,386,419	\$ 10,498,731	\$ 2,112,312

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,411,097	\$ 4,941,157	\$ (469,940)
Special Revenue	3,090,420	2,869,894	(220,526)
Capital Projects	1,910,763	1,890,722	(20,041)
Enterprise	360,497	266,501	(93,996)
Total	\$ 10,772,777	\$ 9,968,274	\$ (804,503)

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2018**

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 levied a municipal income tax of 2 percent in 2018 on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Department Ambulance	\$ 114,693	2.93%
OPWC Loan #CH10E	78,498	0.00%
OPWC Loan #CH08F	123,255	0.00%
OPWC Loan #CH05G	266,477	0.00%
OPWC Loan #CU03J	252,135	0.00%
OPWC Loan #CH15M	160,488	0.00%
OPWC Loan #CH09K	302,309	0.00%
OPWC Loan #CH05O	483,367	0.00%
OPWC Loan #CH08U	562,363	0.00%
Service Department Equipment Lease	54,635	2.76%
Service Department Salt Loader	87,575	2.93%
Total	<u>\$2,485,795</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.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2018**

6. Debt (Continued)

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.

OPWC Loan #CH08U relates to a \$576,783 general street construction project. The loan payments will be paid in semi-annual installments of \$14,420 over 20 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.

The Service Department Equipment lease relates to the purchase of a wheel loader. Lease payments will be paid in annual installments of \$23,521, including interest, over 6 years. Amortization of the aforementioned debt, including interest, is scheduled as follows:

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.

**Village of Northfield
Summit County
Notes to the Financial Statements
December 31, 2018**

7. Retirement Systems (Continued)

Year Ending December 31:	OPWC Loans	Capital Leases
2019	\$ 184,860	\$ 96,492
2020	184,860	96,492
2021	184,860	68,038
2022	184,860	68,038
2023	176,138	13,714
2024-2028	689,208	13,714
2029-2033	436,147	-
2034-2038	187,961	-
Total	<u>\$ 2,228,894</u>	<u>\$ 356,488</u>

For 2018, OP&F participants contributed 12.25% of their wages. For 2018, 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 2018, 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, 2018.

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 Board is appointed on a rotational basis by the respective four communities. For fiscal year 2018, the Village's fees were \$9,938.

OHIO AUDITOR OF STATE KEITH FABER



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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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated October 28, 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) and referred to the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods.

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. 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 2019-001.

Village's Response 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 28, 2020

**VILLAGE OF NORTHFIELD
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Noncompliance and 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.

Additionally, **Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The following fiscal years 2019 and 2018 exceptions indicate a deficiency in the design, implementation and maintenance of internal control relevant to preparing and fairly presenting financial statements.

2018

- General Fund fund balance-unassigned was overstated and the fund balance-assigned was understated by \$697,468 due to the outstanding encumbrances not properly reported as assigned as required by Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.

2019

- General Fund Intergovernmental Revenue was understated and the Miscellaneous Revenue was overstated by \$43,390 due to various grant amounts being improperly recorded as Miscellaneous local grants. Because the amounts were received from other governmental entities/agencies amounts should be reported as Intergovernmental Revenue.
- Special Revenue Fund Miscellaneous Revenue and Transportation Cash Disbursements were overstated and the Capital Projects Fund Intergovernmental Revenue and Transportation Cash Disbursements were understated by \$392,353, respectively, due to the Houghton Road Reconstruction and SR8 Traffic Signals Project OPWC on-behalf monies being improperly posted to the Special Revenue Fund and misclassified as Miscellaneous Revenue. Given the source of the revenue, this should have been recorded in the Capital Projects Fund.
- Special Revenue Fund Miscellaneous Revenue was overstated and the Intergovernmental Revenue was understated by \$41,429 due to posting Federal Emergency Management Agency (FEMA) Assistance to Firefighters grant as Miscellaneous Revenue instead of Intergovernmental Revenue. Because the receipt was received from FEMA, another governmental entity, amounts should be reported as Intergovernmental Revenue.
- General Fund Transfer-Out and Special Revenue (Earned Benefits) Fund Transfer-In were understated by \$75,000 due to a Council approved transfer not properly recorded to the Village's accounting system. In keeping with Council's intent, the financial statements and the Village accounting system were corrected to reflect this transfer.
- General Fund fund balance-unassigned was overstated and the fund balance-assigned was understated by \$46,732 due to the outstanding encumbrances not properly reported as assigned as required by Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.

Additionally, the 2019 and 2018 footnote disclosure included various errors and omissions. As an example, the 2019 and 2018 Budgetary Activity note did not include prior year carryover appropriation amounts and current year outstanding encumbrances within the Appropriation Authority and Budgetary Disbursements, respectively. As the footnote disclosures are an integral part of the financial statements, complete and accurate footnote disclosure is imperative to the readers of the financial statements.

The financial statements and footnote disclosures were adjusted to reflect correction of these errors.

To help ensure the financial statements are presented properly, the Village should review the design, implementation and maintenance of internal controls relevant to preparing and fairly presenting financial statements and updated and/or clarify the procedures and expected practices and develop appropriate procedures to help ensure proper reporting and compliance. The Village should develop procedures to help ensure all receipts and disbursements activities are properly recorded in the Village's accounting system and subsequently on the annual Financial Statements. Also see Ohio Rev. Code § 5705.42 and Auditor of State (AoS) Bulletin 2000-008 *Accounting for Cash Basis Local Governments' Participation in On-behalf-of Grants or Improvement Projects* and AoS Bulletin 2002-004 *Public Works Commissions Infrastructure Project Accounting* and GASB Statement No. 54 and AoS Bulletin 2011-004 for fund balance classification.

Official's Response: Current Finance Department staff believes new procedures have already been established to correct these deficiencies moving forward.

FINDING NUMBER 2019 - 002

Material Weakness – Mayor's Court Activity

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Village's mayor's court activity is maintained outside of the Village's financial accounting system but no formal bank to book reconciliation is performed. Rather, a reconciliation from each monthly bank statement balance is performed to agree to the total court system amount to be disbursed for the respective month. Additionally, Village procedures used to report the court's activity within the agency fund on the financial statements, as established by the former Finance Director, were to report revenues and expenditures in order to achieve an ending fund balance equal to the total revenues collected in the month of December. Reporting the court activity in this manner ignores the timing of court disbursements and without a proper bank to book reconciliation to support the ending fund balance, erodes the accuracy of the financial statements.

During the audit period, court disbursements were not made timely and as a result, by following the procedures above, revenues and expenditures did not accurately reflect the activity of the mayor's court in accordance with their prescribed cash accounting basis. The following misstatements were in the filed financial statements:

- 2018 mayor's court receipts were understated by \$14,108
- 2018 mayor's court disbursements were overstated by 4,952
- 2019 mayor's court receipts were understated by \$8,480
- 2019 mayor's court disbursements were understated by 24,74

The above errors were corrected in the financial statements and accounting system by the Village.

In order to ensure proper accounting of all monies held by the mayor court, bank to book reconciliations should be performed and documented each month to reconcile the monthly bank statement balance to the book balance of all amounts remaining in the court's possession as of the last day of the month. In order to help facilitate this, the Village should consider having the Finance Director review this bank reconciliation and/or establish a mayor's court agency fund within the Village's computerized accounting system. Additionally, in compiling the Village's annual financial statements, the Village should update their current procedures to ensure amounts reported for the mayor's court accurately reflect the timing of all receipts and disbursements. This would help ensure the Village's financial statements better reflect the actual activity of the mayor's court.

Official's Response: The Finance Director will review the monthly bank reconciliations prepared by the Clerk of Court and further establish an agency fund within the Village's current accounting system to correct these deficiencies.

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The Village of Northfield

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 NORTHFIELD VILLAGE, OHIO 44067
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Statement Preparation Internal Controls	Not corrected	Finding was not corrected by former Finance Department staff. New Finance Director will review and implement Auditor of State recommendations for future reporting periods.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NORTHFIELD

SUMMIT 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 12/8/2020

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