



Mary Taylor, CPA
Auditor of State

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northfield Center Township
Summit County
9546 Brandywine Road
Northfield Center, Ohio 44067

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northfield Center Township, Summit County, Ohio, (the Township) as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northfield Center Township, Summit County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Road and Bridge, Police District, Fire & EMS Services, and Miscellaneous/Inheritance Tax/Interest Funds, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

The Township has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although, not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 9, 2010

**Northfield Center Township
Summit County**

*Statement of Net Assets - Cash Basis
December 31, 2009*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,700,023</u>
Net Assets	
Restricted for:	
Other Purposes	\$2,392,052
Unrestricted	<u>1,307,971</u>
<i>Total Net Assets</i>	<u>\$3,700,023</u>

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2009*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$354,739	\$5,028		(\$349,711)
Public Safety	1,522,003	836,385	\$109,068	(576,550)
Public Works	1,030,439		260,762	(769,677)
Health	85,125			(85,125)
Conservation-Recreation	3,485		19,735	16,250
Capital Outlay	35,236			(35,236)
<i>Total Governmental Activities</i>	<u>\$3,031,027</u>	<u>\$841,413</u>	<u>\$389,565</u>	<u>(1,800,049)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		1,390,196
		Grants and Entitlements not Restricted to Specific Programs		379,999
		Interest		11,796
		Miscellaneous		1,664
		<i>Total General Receipts</i>		<u>1,783,655</u>
		Change in Net Assets		<u>(16,394)</u>
		<i>Net Assets Beginning of Year</i>		<u>3,716,417</u>
		<i>Net Assets End of Year</i>		<u>\$3,700,023</u>

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009*

	General	Road and Bridge	Police District	Fire and EMS Services	Miscellaneous/ Inheritance Tax/Interest	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$1,307,971	\$593,461	\$112,025	\$583,204	\$655,573	\$447,789	\$3,700,023
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$28,335	\$33,635		\$47,475		\$31,176	\$140,621
Reserved for Unclaimed Monies	3,063						3,063
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	1,276,573						1,276,573
Special Revenue Funds		559,826	\$112,025	535,729	\$655,573	416,613	2,279,766
<i>Total Fund Balances</i>	<u>\$1,307,971</u>	<u>\$593,461</u>	<u>\$112,025</u>	<u>\$583,204</u>	<u>\$655,573</u>	<u>\$447,789</u>	<u>\$3,700,023</u>

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009*

	General	Road and Bridge	Police District	Fire and EMS Services	Miscellaneous/ Inheritance Tax/Interest	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$338,686	\$402,412	\$342,746	\$306,352			\$1,390,196
Charges for Services				836,385			836,385
Licenses, Permits and Fees	4,768						4,768
Fines and Forfeitures	10,733						10,733
Intergovernmental	454,998	56,711	47,545	49,002		147,741	755,997
Interest	11,572					224	11,796
Other	1,924	1,046		1,788			4,758
<i>Total Receipts</i>	<u>822,681</u>	<u>460,169</u>	<u>390,291</u>	<u>1,193,527</u>		<u>147,965</u>	<u>3,014,633</u>
Disbursements							
Current:							
General Government	341,312					707	342,019
Public Safety			493,734	979,672		18,517	1,491,923
Public Works	372,137	570,795				82,223	1,025,155
Health	85,125						85,125
Conservation-Recreation	3,485						3,485
Other	12,720			30,080		5,284	48,084
Capital Outlay				35,236			35,236
<i>Total Disbursements</i>	<u>814,779</u>	<u>570,795</u>	<u>493,734</u>	<u>1,044,988</u>		<u>106,731</u>	<u>3,031,027</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,902</u>	<u>(110,626)</u>	<u>(103,443)</u>	<u>148,539</u>		<u>41,234</u>	<u>(16,394)</u>
Other Financing Sources (Uses)							
Transfers In	484	8,336		849			9,669
Transfers Out						(9,669)	(9,669)
<i>Total Other Financing Sources (Uses)</i>	<u>484</u>	<u>8,336</u>		<u>849</u>		<u>(9,669)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	8,386	(102,290)	(103,443)	149,388		31,565	(16,394)
<i>Fund Balances Beginning of Year</i>	<u>1,299,585</u>	<u>695,751</u>	<u>215,468</u>	<u>433,816</u>	<u>\$655,573</u>	<u>416,224</u>	<u>3,716,417</u>
<i>Fund Balances End of Year</i>	<u>\$1,307,971</u>	<u>\$593,461</u>	<u>\$112,025</u>	<u>\$583,204</u>	<u>\$655,573</u>	<u>\$447,789</u>	<u>\$3,700,023</u>

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$504,675	\$513,622	\$338,686	(\$174,936)
Licenses, Permits and Fees	2,616	2,616	4,768	2,152
Fines and Forfeitures	5,890	5,890	10,733	4,843
Intergovernmental	508,874	478,205	454,998	(23,207)
Interest	6,350	6,350	11,572	5,222
Other	1,056	1,056	1,924	868
<i>Total Receipts</i>	1,029,461	1,007,739	822,681	(185,058)
Disbursements				
Current:				
General Government	1,155,150	1,151,991	341,312	810,679
Public Works	683,500	686,659	400,182	286,477
Health	87,000	84,500	85,125	(625)
Conservation-Recreation	2,000	2,000	3,485	(1,485)
Other	24,000	24,000	13,010	10,990
Capital Outlay	10,000	12,500		12,500
<i>Total Disbursements</i>	1,961,650	1,961,650	843,114	1,118,536
<i>Excess of Receipts Over (Under) Disbursements</i>	(932,189)	(953,911)	(20,433)	933,478
Other Financing Sources (Uses)				
Transfers In			484	484
Transfers Out	(1,000)	(1,000)		1,000
Other Financing Uses	(150,000)	(150,000)		150,000
<i>Total Other Financing Sources (Uses)</i>	(151,000)	(151,000)	484	151,484
<i>Net Change in Fund Balance</i>	(1,083,189)	(1,104,911)	(19,949)	1,084,962
<i>Fund Balance Beginning of Year</i>	1,152,327	1,152,327	1,152,327	0
Prior Year Encumbrances Appropriated	147,258	147,258	147,258	0
<i>Fund Balance End of Year</i>	\$216,396	\$194,674	\$1,279,636	\$1,084,962

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$436,383	\$444,969	\$402,412	(\$42,557)
Intergovernmental	14,989	14,989	56,711	41,722
Other	6	6	1,046	1,040
<i>Total Receipts</i>	<u>451,378</u>	<u>459,964</u>	<u>460,169</u>	<u>205</u>
Disbursements				
Current:				
Public Works	995,500	997,500	604,430	393,070
Other	98,000	96,000		96,000
Capital Outlay	15,000	15,000		15,000
<i>Total Disbursements</i>	<u>1,108,500</u>	<u>1,108,500</u>	<u>604,430</u>	<u>504,070</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(657,122)	(648,536)	(144,261)	504,275
Other Financing Sources (Uses)				
Transfers In			8,336	8,336
<i>Net Change in Fund Balance</i>	(657,122)	(648,536)	(135,925)	512,611
<i>Fund Balance Beginning of Year</i>	694,813	694,813	694,813	0
Prior Year Encumbrances Appropriated	938	938	938	0
<i>Fund Balance End of Year</i>	<u>\$38,629</u>	<u>\$47,215</u>	<u>\$559,826</u>	<u>\$512,611</u>

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police District Fund
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$366,865	\$373,522	\$342,746	(\$30,776)
Intergovernmental	17,940	17,940	47,545	29,605
<i>Total Receipts</i>	384,805	391,462	390,291	(1,171)
Disbursements				
Current:				
Public Safety	502,000	502,000	493,734	8,266
Other	85,000	85,000		85,000
<i>Total Disbursements</i>	587,000	587,000	493,734	93,266
<i>Excess of Receipts Over (Under) Disbursements</i>	(202,195)	(195,538)	(103,443)	92,095
<i>Fund Balance Beginning of Year</i>	215,468	215,468	215,468	0
<i>Fund Balance End of Year</i>	\$13,273	\$19,930	\$112,025	\$92,095

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire and EMS Services Fund
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$630,855	\$593,075	\$306,352	(\$286,723)
Charges for Services	793,776	674,138	836,385	162,247
Intergovernmental	99,703	92,693	49,002	(43,691)
Other	1,697	1,441	1,788	347
<i>Total Receipts</i>	<u>1,526,031</u>	<u>1,361,347</u>	<u>1,193,527</u>	<u>(167,820)</u>
Disbursements				
Current:				
Public Safety	1,072,500	1,089,000	1,026,897	62,103
Other	32,100	33,100	30,080	3,020
Capital Outlay	633,000	615,500	35,486	580,014
<i>Total Disbursements</i>	<u>1,737,600</u>	<u>1,737,600</u>	<u>1,092,463</u>	<u>645,137</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(211,569)	(376,253)	101,064	477,317
Other Financing Sources (Uses)				
Transfers In			849	849
<i>Net Change in Fund Balance</i>	(211,569)	(376,253)	101,913	478,166
<i>Fund Balance Beginning of Year</i>	431,857	431,857	431,857	0
Prior Year Encumbrances Appropriated	1,959	1,959	1,959	0
<i>Fund Balance End of Year</i>	<u>\$222,247</u>	<u>\$57,563</u>	<u>\$535,729</u>	<u>\$478,166</u>

See accompanying notes to the basic financial statements

**Northfield Center Township
Summit County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Miscellaneous/Inheritance Tax/Interest Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Other	\$38,023	\$38,023		(\$38,023)
<i>Total Receipts</i>	<u>38,023</u>	<u>38,023</u>		<u>(38,023)</u>
Disbursements				
Current:				
General Government	70,000	70,000		70,000
Other	<u>580,000</u>	<u>580,000</u>		<u>580,000</u>
<i>Total Disbursements</i>	<u>650,000</u>	<u>650,000</u>		<u>650,000</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(611,977)	(611,977)		611,977
Other Financing Sources (Uses)				
Transfers Out	<u>(40,000)</u>	<u>(40,000)</u>		<u>40,000</u>
<i>Net Change in Fund Balance</i>	(651,977)	(651,977)		651,977
<i>Fund Balance Beginning of Year</i>	<u>655,573</u>	<u>655,573</u>	<u>\$655,573</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,596</u></u>	<u><u>\$3,596</u></u>	<u><u>\$655,573</u></u>	<u><u>\$651,977</u></u>

See accompanying notes to the basic financial statements

Northfield Center Township
Summit County

Statement of Fiduciary Net Assets - Cash Basis
Agency Fund
December 31, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$40,533</u>
Net Assets	
Unrestricted	<u>\$40,533</u>

See accompanying notes to the basic financial statements

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 1 – Reporting Entity

Northfield Center Township, Summit County, Ohio, (the Township) 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. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and fire protection and emergency services. The Township has a contract with Sagamore Hills Township to provide fire and ambulance services. The Township contracts with the Summit County Sheriff for police protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Township participates in the Northfield Center Township – Macedonia Joint Economic Development District (JEDD). Note 9 to the financial statements provides additional information for this entity.

The Township participates in one jointly governed organization and one public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:
North Hills Water District

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority

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

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and a Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Assets presents the cash and cash equivalents and net assets of the governmental activities of the Township at year end. The Statement of Activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), other nonexchange transactions, and charges for services as governmental funds. The following are the Township's major governmental funds:

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

General Fund This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road and Bridge Fund This fund receives property tax and other revenue for constructing, maintaining, and repairing Township road and bridges.

Police District Fund This fund receives property tax and other revenue to operate and maintain the Township's policing services. The Township contracts with the Summit County Sheriff's department for services.

Fire/EMS Services Fund This fund receives property tax and other revenue for financial resources associated with providing fire and ambulance services to the Township and the contractual obligation of providing the same services to Sagamore Hills Township.

Miscellaneous/Inheritance Tax/Interest Fund This fund was created to account for inheritance tax revenue received by the Township prior to fiscal year 2008.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township does not have any trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township has the following agency fund:

Cash Performance Bond Fund This fund is used to account for builder's completion bonds required of contractors constructing new housing units in the Township and some other miscellaneous deposits required by Township resolution. The cash bonds are submitted to the Township and held until the respective activity is completed and approved by the Township Zoning Inspector.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the Certificate of Estimated Resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the Amended Certificate of Estimated Resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

The Township'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. Repurchase agreements and STAR Ohio are recorded at share values reported by the financial institutions and the Treasurer of the State, respectively.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 was \$11,572.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for State and Federal grants.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

There are no net assets restricted by enabling legislation.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3– Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, road and bridge fund, policy levy fund, fire/ems services fund, and miscellaneous/inheritance tax/interest fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

Contrary to Ohio Law, the Township did not certify certain expenditures prior to incurring the obligation.

Note 4 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 4 - Deposits and Investments (continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Bankers acceptances and commercial paper notes, each with a maturity not exceeding 180 days and meeting all the requirements of Section 135.142 of the Ohio Revised Code, but only upon specific authorization of the Board required by law and completion of the required training of the Fiscal Officer.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Township's bank balance of \$109,331 was exposed to custodial credit risk because those deposits were fully insured by the FDIC.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 4 - Deposits and Investments (continued)

Deposits (continued)

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2009, the Township had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u> <u>Less than 1</u>
STAR Ohio	\$1,568,891	\$1,568,891
Repurchase Agreement	2,100,000	2,100,000
Total Investments	<u>\$3,668,841</u>	<u>\$3,668,841</u>

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio remain sufficiently liquid to enable the Township to meet all operating requirements which might reasonably be anticipated, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investment in repurchase agreement is collateralized by underlying securities pledged by the investment's counterparty. The Township has no investment policy dealing with investment custodial risk beyond the requirements in the Ohio Revised Code, which require the market value of securities subject to repurchase agreements must exceed the principal value of the securities subject to repurchase agreements by 2%.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 5 – Property Taxes (continued)

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

2009 tangible property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments have been phased out – the assessment percentage for all property including inventory for 2009 is zero. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2009, was \$11.73 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$168,606,510
Public Utility Property	1,739,985
Tangible Personal Property	316,903
Total Assessed Values	<u>\$170,663,398</u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Fiscal Officer periodically remits to the Township its portion of the taxes collected.

Note 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 6 – Risk Management (continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available).

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$20,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2008	\$25,533
2009	\$22,870

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement public safety divisions exist only in the traditional plans.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10% of covered payroll.

The Township's contribution rate for 2009 was 14%. The portion of employer contributions allocated to health care was 7% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14%.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$89,417, \$87,336, and \$78,386, respectively. The full amount has been contributed for 2009, 2008 and 2007. Contributions to the member-directed plan for 2009 were \$52,284 made by the Township and \$37,133 made by the plan members.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare.

The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 8 - Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 7% of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$21,870, \$25,505, and \$22,217, respectively; 100% has been contributed for 2009, 2008 and 2007.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 9 - Joint Venture

The Township participates in the Northfield Center Township-Macedonia Joint Economic Development District (JEDD), which is a statutorily created subdivision of the State. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The Township and the City shall work together to provide water, sewer, street lighting, roads, sidewalks and other local services to the area. These services are funded by a percentage of income tax revenue. The Board of Directors is comprised of six members three from the Township (the three Township Trustees) and three from the City (the Mayor and two Council members). The Board was responsible for the adoption of an annual budget for the JEDD, estimating revenue and expense of the JEDD and establishing the distribution of income tax revenue. Financial information can be obtained by writing to the Northfield Center Township – Macedonia Joint Economic Development District, 9691 Valley View Road, Macedonia, Ohio 44056.

Northfield Center Township
Summit County

Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 10 - Jointly Governed Organization

The North Hills Water District (the District) is a jointly governed organization established to provide for the construction and maintenance of water transmission lines to residents of Northfield Center Township and Sagamore Hills Township. The water is provided by the City of Cleveland. The seven member District Board consists of three appointed members of each Township and one member appointed alternately by the Townships. The Board is responsible for exercising control over the District's operations, including budgeting, appropriating and contracting and hiring personnel. All of the District's revenues are derived from property taxes assessed on the property of the Township's residents. Financial information can be obtained by writing to the North Hills Water District, 253 West Aurora Road, Northfield Center, Ohio 44067.

Note 11 – Subsequent Events

On January 4, 2010 the Township authorized the purchase of a fire truck to be leased or purchased with payments spread over 3-5 years with a mutually acceptable financial agreement between Northfield Center and Sagamore Hills Townships for a cost of \$406,095. Sixty percent of the cost will be assumed by Sagamore Hills Township and forty percent by Northfield Center Township. A \$390,529 payment was made on July 6, 2010.

On June 1, 2010 the Township entered into an agreement with Sagamore Hills Township to form a joint Fire District.

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Mary Taylor, CPA
Auditor of State

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

Northfield Center Township
Summit County
9546 Brandywine Road
Northfield Center, Ohio 44067

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northfield Center Township, Summit County, Ohio, (the Township) as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 9, 2010, wherein we noted the Township follows a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township did not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although, not required to be a part of the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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, providing an opinion 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 matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as Finding 2009-002.

We also did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 9, 2010.

We intend this report solely for the information and use of management, Board of Trustees, the audit committee and others within the Township. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 9, 2010

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness:

Financial Reporting and Classification of Receipts and Expenditures

The Cash Basis Annual Financial Report for 2009 prepared by the Fiscal Officer and submitted to the Auditor of State contained the following deficiencies:

- The Governmental Activities “Net Assets End of Year” reported on the Statement of Activities for 2009 did not foot by \$1,219, and the correctly footed amount did not agree to the Governmental Activities “Total Net Assets” reported on the Statement of Net Assets for 2009 by \$1,219.
- The total Governmental Funds receipts reported on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances for Governmental Funds for 2009 exceeded the total Governmental Activities program and general revenues reported on the Statement of Activities for 2009 by \$9,669.
- The total Governmental Funds transfers in and transfers out reported on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances for Governmental Funds for 2009 did not agree by \$8,336.
- The Fiscal Officer did not submit a Management Discussion and Analysis as part of the GASB 34 modified reporting method requires. Consequently, the Township report was incomplete.
- The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis originally did not have any budgeted receipts listed. In addition, the actual disbursements did not include encumbrances.

Additionally, numerous posting errors were noted in the receipt ledger activity. The Fiscal Officer incorrectly recorded the following receipts in 2009:

- Local government tax revenue in the amount of \$12,147 in the General Fund was received in 2009; however, the Fiscal Officer did not record the revenue until 2010. The cash fund balance effect of this adjustment was posted to the Township’s ledgers.
- Gasoline tax revenue received in the amount of \$2,564 in the Gasoline Tax Fund was received in 2010; however, the Fiscal Officer recorded the revenue in 2009. The cash fund balance effect of this adjustment was posted to the Township ledgers.

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Township Trustees should adopt procedures to help ensure that the Fiscal Officer is submitting accurate and complete financial statements that comply with reporting requirements. These procedures should include periodically monitoring the classification of receipts and expenditures compared to the “Township Handbook” chart of accounts, and performing a final review of the statements by the Fiscal Officer and Board prior to filing reports to identify and correct posting errors and/or omissions.

The audited financial statements reflect financial statement adjustments to correct these errors. The Management Discussion and Analysis is not included.

FINDING NUMBER 2009-002

Material Noncompliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing we noted 9 of 30 (30%) expenditures tested were not certified before the obligation was incurred. It was found that none of the exceptions listed above were utilized for the items found to be in noncompliance.

The Township should certify the availability of funds for expenditure prior to incurring the obligation and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D). Failure to properly certify funds could lead to the Township incurring obligations it cannot meet.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Numerous errors in financial statement reporting and recording of receipts were noted.	No	Not Corrected. See Finding Number 2009-001.
2008-002	Ohio Rev. Code 505.24 (C) – Trustee salary was paid from a fund other than the general fund without providing support for time spent working from the other fund.	Yes	Finding No Longer Valid.
2008-003	Ohio Rev. Code 5705.39 – Appropriations exceeded estimated resources in the Motor Vehicle Fund and Fire/EMS Fund.	Yes	Finding No longer Valid.
2008-004	Ohio Rev. Code 5705.41(D) – Certain expenditures were not certified before the obligation was incurred.	No	Not Corrected. See Finding Number 2009-002



Mary Taylor, CPA
Auditor of State

NORTHFIELD CENTER TOWNSHIP

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2010**