

***NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Trustees
Northfield Center Township
9546 Brandywine Road
Northfield Center, Ohio 44067-2408

We have reviewed the Independent Auditor's Report of Northfield Center Township, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Northfield Center Township is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 26, 2004

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**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2003 & 2002**

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NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2003 & 2002

ELECTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRATION</u>
Samuel J. Ciocco	Administrator	12/31/04
Monica James	Clerk	3/31/04
Marc A. Pepera, Chair	Trustee	12/31/05
Mary Ann Day	Trustee	12/31/03
Mary K. Catalano	Trustee	12/31/05

Statutory Legal Council

Mr. Al Schrader
Manes, Musitano, Shapiro, Schrader, & Assaf
PO Box 0079
Akron, Ohio 44309

McCarty & Pry
1655 W. Market Street, Suite 400
Akron, Ohio 44313

Michael P. Harvey Co., LPA
311 Northcliff Drive
Rocky River, Ohio 44116

Mazanec, Rasking & Ryder Co., LPA
34305 Solon Road, Suite 100
Cleveland, Ohio 44139

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Northfield Center Township
Summit County
9546 Brandywine Rd.
Northfield Center, Ohio 44067-2408

We have audited the accompanying financial statements of Northfield Center Township, Summit County, (the Township), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Township, as of December 31, 2003 and 2002, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
June 18, 2004

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
As of December 31, 2003 & 2002**

	<u>2003 Balance</u>	<u>2002 Balance</u>
Cash and Cash Equivalents	\$ 2,681,476	\$ 2,519,739
	<u>\$ 2,681,476</u>	<u>\$ 2,519,739</u>

CASH BALANCES BY FUND CLASS

Governmental Fund Types:

General Fund	\$ 284,860	\$ 251,480
Special Revenue Funds	2,130,091	2,125,109

Fiduciary Fund Type:

Expendable Trust	<u>266,525</u>	<u>143,150</u>
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Total	<u>\$ 2,681,476</u>	<u>\$ 2,519,739</u>
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See accompanying Notes to the Financial Statements.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u> <u>Memorandum</u> <u>Only</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Expendable</u> <u>Trust</u>	
Receipts:				
Taxes	\$ 236,924	\$ 626,136	\$ -	\$ 863,060
Intergovernmental	270,391	157,404	-	427,795
Charges for Services	300,271	390,519	-	690,790
Licenses, Permits, and Fees	22,320	-	-	22,320
Fines, Forfeitures, and Penalties	5,788	-	-	5,788
Earnings on Investments	13,492	16,666	-	30,158
Other Revenue	2,499	12,963	-	15,462
Total Receipts	851,685	1,203,688	-	2,055,373
Disbursements:				
Current:				
General Government	236,533	4,142	-	240,675
Public Safety	350,851	397,331	-	748,182
Public Works	101,966	628,661	-	730,627
Health	60,385	-	-	60,385
Human Services	2,112	3,062	-	5,174
Supplies and Materials	-	4,977	-	4,977
Miscellaneous	-	3,532	-	3,532
Capital Outlay	66,643	157,001	-	223,644
Total Disbursements	818,490	1,198,706	-	2,017,196
Total Receipts Over/(Under) Disbursements	33,195	4,982	-	38,177
Other Financing Sources (Uses):				
Other Financing Sources	185	-	128,925	129,110
Other Financing Uses	-	-	(5,550)	(5,550)
Total Other Financing Sources (Uses)	185	-	123,375	123,560
Excess/Deficiency of Receipts and Other Sources Over Disbursements and Other Uses	33,380	4,982	123,375	161,737
Fund Cash Balance, January 1	251,480	2,125,109	143,150	2,519,739
Fund Cash Balance, December 31	\$ 284,860	\$ 2,130,091	\$ 266,525	\$ 2,681,476
Reserve for Encumbrances, December 31	\$ 52,593	\$ 96,709	\$ -	\$ 149,302

See accompanying Notes to the Financial Statements.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental And Fiduciary Fund Types
For the Year Ended December 31, 2002

	<u>Governmental Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u> <u>Memorandum</u> <u>Only</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Expendable</u> <u>Trust</u>	
Receipts:				
Taxes	\$ 213,311	\$ 635,944	\$ -	\$ 849,255
Intergovernmental	269,303	169,640	-	438,943
Charges for Services	270,000	399,407	-	669,407
Licenses, Permits, and Fees	8,872	-	-	8,872
Fines, Forfeitures, and Penalties	6,269	-	-	6,269
Earnings on Investments	18,608	21,592	-	40,200
Other Revenue	4,969	21,183	-	26,152
Total Receipts	791,332	1,247,766	-	2,039,098
Disbursements:				
Current:				
General Government	231,051	9,900	-	240,951
Public Safety	353,365	400,620	-	753,985
Public Works	21,507	458,753	-	480,260
Health	60,388	-	-	60,388
Human Services	2,480	4,694	-	7,174
Contract Services	275	-	-	275
Supplies and Materials	-	2,463	-	2,463
Miscellaneous	-	3,285	-	3,285
Capital Outlay	350,715	7,326	-	358,041
Total Disbursements	1,019,781	887,041	-	1,906,822
Total Receipts Over/(Under) Disbursements	(228,449)	360,725	-	132,276
Other Financing Sources (Uses):				
Other Financing Sources	3,545	318	52,900	56,763
Other Financing Uses	-	-	(10,150)	(10,150)
Total Other Financing Sources (Uses)	3,545	318	42,750	46,613
Excess/Deficiency of Receipts and Other Sources Over Disbursements and Other Uses	(224,904)	361,043	42,750	178,889
Fund Cash Balance, January 1	476,384	1,764,066	100,400	2,340,850
Fund Cash Balance, December 31	\$ 251,480	\$ 2,125,109	\$ 143,150	\$ 2,519,739
Reserve for Encumbrances, December 31	\$ 50,536	\$ 97,446	\$ -	\$ 147,982

See accompanying Notes to the Financial Statements.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS -
BUDGET AND ACTUAL
For the Years Ended December 31, 2003 and 2002

<u>Fund Types/Funds</u>	<u>2002 Budget</u>	<u>2002 Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General	\$ 972,516	\$ 794,877	\$ (177,639)
Special Revenue	1,238,909	1,248,084	9,175
Fiduciary:			
Expendable Trust	<u>25,750</u>	<u>52,900</u>	<u>27,150</u>
Total (Memorandum Only)	<u>\$ 2,237,175</u>	<u>\$ 2,095,861</u>	<u>\$ (141,314)</u>

<u>Fund Types/Funds</u>	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General	\$ 920,795	\$ 851,870	\$ (68,925)
Special Revenue	1,275,342	1,203,688	(71,654)
Fiduciary:			
Expendable Trust	<u>25,750</u>	<u>128,925</u>	<u>103,175</u>
Total (Memorandum Only)	<u>\$ 2,221,887</u>	<u>\$ 2,184,483</u>	<u>\$ (37,404)</u>

See accompanying Notes to the Financial Statements.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 For the Years Ended December 31, 2003 and 2002

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2002 Appropriations</u>	<u>Total</u>	<u>Actual 2002 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/02</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:							
General	\$ 915	\$ 1,287,440	\$ 1,288,355	\$ 1,019,781	\$ 50,536	\$ 1,070,317	\$ 218,038
Special Revenue	73,417	2,715,656	2,789,073	887,041	97,446	984,487	1,804,586
Fiduciary:							
Expendable Trust	-	107,000	107,000	10,150	-	10,150	96,850
Total (Memorandum Only)	<u>\$ 74,332</u>	<u>\$ 4,110,096</u>	<u>\$ 4,184,428</u>	<u>\$ 1,916,972</u>	<u>\$ 147,982</u>	<u>\$ 2,064,954</u>	<u>\$ 2,119,474</u>

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2003 Appropriations</u>	<u>Total</u>	<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:							
General	\$ 50,536	\$ 1,140,876	\$ 1,191,412	\$ 818,490	\$ 52,593	\$ 871,083	\$ 320,329
Special Revenue	97,446	3,225,251	3,322,697	1,198,706	96,709	1,295,415	2,027,282
Fiduciary:							
Expendable Trust	-	120,000	120,000	5,550	-	5,550	114,450
Total (Memorandum Only)	<u>\$ 147,982</u>	<u>\$ 4,486,127</u>	<u>\$ 4,634,109</u>	<u>\$ 2,022,746</u>	<u>\$ 149,302</u>	<u>\$ 2,172,048</u>	<u>\$ 2,462,061</u>

See accompanying Notes to the Financial Statements.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Northfield Center Township, Summit County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including refuse disposal and road maintenance. The Township contracts with the Summit County Sheriff to provide police protection.

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

B. REPORTING ENTITY

In evaluating how to define the Township for financial reporting purposes, management has considered all agencies, departments and organizations making up Northfield Center Township (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Township, as the primary government, 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 financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Township has determined that there were no component units required to be included in the financial statements.

C. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

D. CASH AND INVESTMENTS

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **CASH AND INVESTMENTS** – (continued)

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

E. **FUND ACCOUNTING**

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The Township has the following significant Special Revenue Funds:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Waste Disposal District Fund – This fund is used to account for services received from residents to cover the cost of refuse disposal.

Police District Fund – This fund is used to account for a portion of property tax revenue received and used to pay for police protection. The Township contracts with the Summit County Sheriff's Department to provide security of persons and property within the Township.

Fiduciary Funds (Trust Fund):

These funds are used to account for resources restricted by legally binding trust agreements. The Township has the following significant fiduciary fund:

Expendable Trust Fund – This fund is used to account for zoning bonds required of residents making changes to their property, typically by building new structures on the property. These cash bonds are submitted to the Township and held until the respective activity is completed and approved by the Township Zoning Inspector.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **BUDGETARY PROCESS**

1. **Budget**

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increase or decrease in revenues are identified by the Clerk. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2003 and 2002.

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2003 and 2002. However, those fund balances are available for appropriation.

3. **Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The legal level of control is the object level.

4. **Encumbrances**

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. BUDGETARY PROCESS - (continued)

4. Encumbrances - (continued)

Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In the budgetary financial statements, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

G. PROPERTY, PLANT AND EQUIPMENT

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

H. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Township maintains a cash and investment pool used by all funds. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2003 and 2002."

Legal Requirements

State statutes classify monies held by the Township into three categories.

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such 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 Board has identified as not required for use within the current two 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. Interim monies may be invested in the following securities:

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

Legal Requirements - (continued)

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States.
2. Bonds, notes, debentures or any other obligations or securities 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 services shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreement, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days.
4. Bond and other obligations of the State of Ohio.
5. No -load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio).

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 be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the Township's deposits were \$38,466 in 2003 and \$36,280 in 2002 and the bank balance was \$53,779 in 2003 and \$59,338 in 2002. Of the bank balance, all was covered by the Federal Depository Insurance Corporation (FDIC), in 2003 and 2002.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

Investments:

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Township's name. Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The following list represents all investments of the Township, categorized by risk category using the definitions above as of December 31, 2002 and 2003.

2003	Carrying Amount Category 3	Fair Value
Repurchase Agreement	\$ 1,320,000	\$ 1,320,000
STAR Ohio	-	1,323,010
Total	<u>\$ 1,320,000</u>	<u>\$ 2,643,010</u>

2002	Carrying Amount Category 3	Fair Value
Repurchase Agreement	\$ 1,175,000	\$ 1,175,000
STAR Ohio	-	1,308,459
Total	<u>\$ 1,175,000</u>	<u>\$ 2,483,459</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB 3 is as follows:

2003	Cash and Cash Equivalents	Investment
GASB Statement 9	\$ 2,681,476	\$ -
Repurchase Agreements	(1,320,000)	1,320,000
STAR Ohio	<u>(1,323,010)</u>	<u>1,323,010</u>
GASB Statement 3	<u>\$ 38,466</u>	<u>\$ 2,643,010</u>

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

<u>2002</u>	<u>Cash and Cash Equivalents</u>	<u>Investment</u>
GASB Statement 9	\$ 2,519,739	\$ -
Repurchase Agreements	(1,175,000)	1,175,000
STAR Ohio	<u>(1,308,459)</u>	<u>1,308,459</u>
 GASB Statement 3	 <u>\$ 36,280</u>	 <u>\$ 2,483,459</u>

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

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

4. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

5. PENSION AND RETIREMENT PLANS

The employees of Northfield Center Township are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

5. **PENSION AND RETIREMENT PLANS** – (continued)

Public Employees Retirement System (PERS)

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2003 and 2002. The contribution rates are determined actuarially. The Township has paid all contributions required through December 31, 2003.

6. **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 members appointed by each Township with one member appointed alternately by the Townships. The District Board exercises total control over the District 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.

7. **CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Township may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

8. **ACCOUNTABILITY AND COMPLIANCE**

- Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify all 2003 and 2002 expenditures prior to entering into commitments.
- Contrary to Ohio Rev. Code Section 5705.36, the Township did not reduce its amended certificate. A reduced amended certificate shall be obtained when it is known that estimated receipts will exceed actual receipts and the amount of deficiency will reduce available resources below the current level of appropriations.
- Contrary to Ohio Rev. Code Section 135.14, the Township did not file an investment policy with the Auditor of State during 2003 or 2002.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Northfield Center Township
Summit County
9546 Brandywine Road
Northfield Center, Ohio 44067-2408

We have audited the financial statements of Northfield Center Township, Summit County, Ohio, (the Township) as and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-003.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated June 18, 2004.

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

Charles E. Harris & Associates, Inc.
June 18, 2004

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2003-001

Ohio Revised Code Section 5705.41 – Restrictions on the appropriation and expenditure of money.

Summary of Requirement –“no contracts or orders involving the expenditure of money may be made unless the clerk has certified 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”.

Per our testing of selected vendor disbursements for Northfield Center Township for FY 2002 and FY 2003 we found 2 (two) samples of payments to vendors where the invoice was dated prior to the purchase order. The purchase order must be written before the invoice is received to assure proper allocation of funds for any expenditures to be paid. We also found 2 (two) samples of payments to vendors where the amount on the PO does not cover the invoice amount expended by the Township. Funds must be available and/or are in the process of collection. This means that the Township has appropriations and the cash to pay for this purchase. The PO must identify that and be properly authorized. Finally, there were 4 (four) samples of payments to vendors where there was no PO issued by the Township for the expenditure. Any contract made without the PO shall be void and no warrant shall be issued in payment. However, there is the “then and now” certificate that may be issued. Blanket PO’s may be used to purchase a variety of items over a period of time. The maximum length of time a blanket order can be outstanding is three months.

FINDING NUMBER 2003-002

Per ORC Section 5705.36, a reduced amended certificate shall be obtained when it is known that the estimated resources will exceed actual receipts and the amount of the deficiency will reduce available resources below the level of current appropriations.

The following funds had total estimated resources during a fiscal year which exceeded the amount of actual receipts which requires a reduced amended certificate.

2002

- General Fund
- Special Revenue Fund:
 - Miscellaneous Inheritance
 - Motor Vehicle License Tax
 - Gas Tax
 - Motor Vehicle Permissive Tax
 - Waste Disposal District

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS – (Continued)

2003

**General Fund
Special Revenue Fund:
Motor Vehicle License Tax
Gas Tax
Motor Vehicle Permissive Tax
Mobile Meals**

FINDING NUMBER 2003-003

Ohio Revised Code Section 135.14 states that investments or deposits made under Ohio Rev. Code Section 135.14 cannot be made unless a written investment policy, approved by the Clerk or governing board, is on file with the Auditor of State. An investment policy does not need to be filed if:

- The Clerk or governing board invests only in interim deposits, no load money market mutual funds or the State Treasurer’s Investment Pool, STAR Ohio
- The subdivision’s average annual portfolio of investments is \$100,000 or less.

The Township participates in a cash management program offered by a local bank. The cash management program holds Township deposits in a sweep account. Excess deposits are invested in overnight repurchase agreements. The investments in repurchase agreements, on average, exceeded \$100,000. Since repurchase agreements do not qualify as interim deposits, and the Township’s average investment balance exceeded \$100,000, the Township should file a written investment policy with the Auditor of State or limit its investments to those allowed without adopting an investment policy.

The Township’s policy should authorize the Clerk to invest funds and should include at a minimum:

- Investment types considered permissible by the Board;
- Investment types which are prohibited by the Board;
- Investment maturity requirements;
- Acceptable portfolio risk;
- Township investment goals (i.e. preservation of investment principle, emphasis on income or capital gains, etc.).

Township management will need to assess the extent of its policy requirements based on the level of investment activity, investment types, and investment goals of the Board. In addition, the investment policy must be signed by:

- All entities conducting investment business with the Clerk or Board of Trustees (except the Treasurer of State);
- All brokers, dealers, and financial institutions, described in Section 135.14(M)(1), initiating transactions with the Clerk or Board of Trustees by giving advice or making investment recommendations;

All brokers, dealers, and financial institutions, described in Section 135.14(M)(1), executing transactions initiated by the Clerk or Board of Trustees.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-40977-001	Ohio Rev. Code Section 5705.41(D) – Certifying funds after the incurrence of obligation	No	Not Corrected. Reissued as 2003-001.
2001-40977-002	Ohio Rev. Code 5705.41(B) – No subdivision or taxing unit is to expend money unless it has been appropriated	Yes	Finding No Longer Valid.
2001-40977-003	Ohio Rev. Code Section 135.14 – No written investment policy	No	Not corrected. Reissued as 2003-003.
2001-40977-004	Material Weakness – Bank reconciliations were not performed during the audit period	Yes	Finding No Longer Valid.



**Auditor of State
Betty Montgomery**

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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 5, 2004**