



Dave Yost • Auditor of State

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

April 6, 2012

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Dave Yost • 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 Northfield Center Township, Summit County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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 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 opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Township to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of April 6, 2012, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Northfield Center Township, Summit County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Northfield Center Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2012, 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 black ink, appearing to read "Dave Yost". The signature is fluid and cursive, with a large loop at the end of the last name.

Dave Yost
Auditor of State

April 6, 2012

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$332,511	\$1,026,441	\$1,358,952
Charges for Services		117,860	117,860
Licenses, Permits, and Fees	3,632		3,632
Fines and Forfeitures	7,433		7,433
Intergovernmental	343,264	259,948	603,212
Earnings on Investments	4,240	130	4,370
Miscellaneous	2,077	14,064	16,141
	<u>693,157</u>	<u>1,418,443</u>	<u>2,111,600</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	116,680		116,680
Public Safety	203,956	287,359	491,315
Public Works	17,782	24,803	42,585
Health	83,711		83,711
Personal Services	162,244	278,725	440,969
Conservation-Recreation	3,497		3,497
Other	8,666	34,318	42,984
Capital Outlay	3,544		3,544
Supplies and Material	11,499	234,947	246,446
Contract Services	75,716	476,020	551,736
	<u>687,295</u>	<u>1,336,172</u>	<u>2,023,467</u>
Total Cash Disbursements			
Total Receipts Over Disbursements			
	<u>5,862</u>	<u>82,271</u>	<u>88,133</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		12,311	12,311
Transfers-Out	(12,311)		(12,311)
	<u>(12,311)</u>	<u>12,311</u>	<u>0</u>
Total Other Financing Receipts / (Disbursements)			
Net Change in Fund Cash Balances			
	(6,449)	94,582	88,133
Fund Cash Balances, January 1			
	<u>1,447,102</u>	<u>2,319,811</u>	<u>3,766,913</u>
Fund Cash Balances, December 31			
Nonspendable	3,063		3,063
Restricted		2,414,393	2,414,393
Committed		1	1
Assigned	86,779		86,779
Unassigned	1,350,810		1,350,810
	<u>1,440,652</u>	<u>2,414,394</u>	<u>3,855,046</u>
Fund Cash Balances, December 31			

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

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Agency Fund</u>
Non-Operating Receipts (Disbursements)	
Builder Bond Deposits	\$6,900
Builder Bond Deposits Disbursements	<u>(4,222)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>2,678</u>
Fund Cash Balances, January 1	<u>38,940</u>
Fund Cash Balances, December 31	<u><u>\$41,618</u></u>

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

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$336,127	\$1,045,282	\$1,381,409
Charges for Services		924,001	924,001
Licenses, Permits, and Fees	3,634		3,634
Fines and Forfeitures	8,106		8,106
Intergovernmental	430,066	276,009	706,075
Earnings on Investments	5,037	178	5,215
Miscellaneous	10	13,735	13,745
	<u>782,980</u>	<u>2,259,205</u>	<u>3,042,185</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	139,455		139,455
Public Safety	113,024	870,660	983,684
Public Works	2,300	20,852	23,152
Health	82,001		82,001
Personal Services	159,029	276,661	435,690
Conservation-Recreation	2,787		2,787
Other	8,010	62,080	70,090
Capital Outlay	7,173	270,511	277,684
Supplies and Material	19,086	144,416	163,502
Contract Services	104,541	692,037	796,578
	<u>637,406</u>	<u>2,337,217</u>	<u>2,974,623</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>145,574</u>	<u>(78,012)</u>	<u>67,562</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		5,771	5,771
Transfers-Out	(5,771)		(5,771)
Other Financing Uses	(672)		(672)
	<u>(6,443)</u>	<u>5,771</u>	<u>(672)</u>
Total Other Financing Receipts / (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	139,131	(72,241)	66,890
Fund Cash Balances, January 1	1,307,971	2,392,052	3,700,023
Fund Cash Balances, December 31	<u>\$1,447,102</u>	<u>\$2,319,811</u>	<u>\$3,766,913</u>
Reserve for Encumbrances, December 31	<u>\$95,652</u>	<u>\$89,263</u>	<u>\$184,915</u>

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

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Agency Fund</u>
Non-Operating Receipts (Disbursements)	
Builder Bond Deposits	\$6,750
Builder Bond Deposits Disbursements	<u>(8,343)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>(1,593)</u>
Fund Cash Balances, January 1	<u>40,533</u>
Fund Cash Balances, December 31	<u><u>\$38,940</u></u>

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

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Northfield Center Township, Summit County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, fire protection and emergency medical services. The Township has an agreement with Sagamore Hills Township to provide fire and ambulance services through June 30, 2010. Effective July 1, 2010, these services are provided by the Northfield Center-Sagamore Hills Joint Fire District for both townships (See Note 8). The Township contracts with the Summit County Sheriff for police protection.

Joint Ventures:

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) and the Northfield Center Sagamore Hills Joint Fire District. Note 8 to the financial statements, provides additional information on these entities.

The Township participates in one jointly governed organization and one public entity risk pool. Note 9 and 7 to the financial statements provides additional information for these entities.

Jointly Governed Organizations:

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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits 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.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had 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.

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.

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

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the 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 disburses these funds as directed by the individual, organization or other government. The Township has the following agency fund:

Cash Performance Bond Fund – This fund is used to account for builder 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 respective activity is completed and approved by the Township Zoning Inspector.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the Township has implemented Governmental Accounting Standard Board (GASB) Statement No. 54. The Implementation of this statement did not result in any change to the Township's financial statements.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$80,193	\$85,264
Investments:		
STAR Ohio	1,571,471	1,570,589
Repurchase Agreements	2,245,000	2,150,000
Total investments	3,816,471	3,720,589
Total deposits and investments	\$3,896,664	\$3,805,853

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$842,411	\$693,157	(\$149,254)
Special Revenue	1,192,682	1,430,754	238,072
Total	\$2,035,093	\$2,123,911	\$88,818

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,835,862	\$786,385	\$1,049,477
Special Revenue	3,346,334	1,688,254	1,658,080
Total	\$5,182,196	\$2,474,639	\$2,707,557

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$638,303	\$782,980	\$144,677
Special Revenue	1,197,255	2,264,976	1,067,721
Total	\$1,835,558	\$3,047,956	\$1,212,398

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,816,562	\$739,501	\$1,077,061
Special Revenue	4,411,400	2,426,480	1,984,920
Total	\$6,227,962	\$3,165,981	\$3,061,981

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. 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.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. RISK MANAGEMENT – (Continued)

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.

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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$14,000.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. RISK MANAGEMENT – (Continued)

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.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$19,360	\$15,177

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

8. JOINT VENTURES

A. Northfield Center Township –Macedonia Joint Economic Development District (JEDD)

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.

B. Northfield Center-Sagamore Hill Joint Fire District

The Township entered into an agreement with Sagamore Hills Township to form the Northfield Center-Sagamore Hills Joint Fire District (The District) that became operational on July 1, 2010. The purpose is to provide fire and emergency medical/ambulance services to the citizens of Sagamore Hills Township and Northfield Center Township. The governing board is comprised of the Trustees of Sagamore Hills Township and Trustees of Northfield Center Township, (six members). The Fire District is funded jointly by both Townships. Financial information can be obtained by writing to the Northfield Center-Sagamore Hill Joint Fire District, 60 West Aurora Road, Northfield Center Ohio, 44067.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. 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.

10. RELATED PARTY TRANSACTION

Trustee Richard Reville is the owner of the Reville Tire Company. In 2010 the Township disbursed \$1,096 and in 2011 disbursed \$1,253 to his company for services rendered.

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Dave Yost • 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 Northfield Center Township, Summit County, (the Township) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated April 6, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). 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 entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 6, 2012.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

April 6, 2012

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Posting of Receipts to the Proper Account Codes

<i>Finding Number</i>	2011-01
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MATERIAL WEAKNESS

During our audit, we noted the Fiscal Officer did not always post receipts into the appropriate account codes and/or fund.

In 2011 and 2010, the Fiscal Officer incorrectly posted charges for services receipts totaling \$117,860 and \$924,001, respectively, to the property and local taxes account line item. This revenue represents property tax revenue remitted to the Township by Sagamore Hills Township for their share of fire department expenditures. As disclosed in the notes to the financial statements, Northfield Center Township and Sagamore Hills Township formed a joint fire district which became operational on July 1, 2010. As a result, this adjustment should not be required in future years. The audited financial statements have been adjusted to correct this error.

In 2010, real estate tax revenue related to the Police Levy fund in the amount of \$10,623 was erroneously posted to the Fire/EMS Service fund. This error resulted in an overstatement of the Fire/EMS Service fund balance and an understatement of the Police Levy fund balance; however, there was no effect on the financial statements as both funds are reported in the Special Revenue Fund balance.

We recommend the Fiscal Officer utilize the Township Handbook chart of accounts to determine the most appropriate account code to post the different types of revenue the Township receives. In addition, the Fiscal Officer should update the computer system to reflect the correct fund balances for the Police Levy fund and the Fire EMS Service fund.

Official's Response: The item has been corrected and will not occur in the future. A coding in the OTAS system was inadvertently changed causing the posting to the incorrect revenue type.

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**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDING DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Numerous errors in financial statements reporting and recording of receipts	No	Partially Corrected. Similar comment repeated as finding 2011-01.
2009-002	Ohio Revised Code 5705.41 (D) – Certain expenditures were not certified before the obligation was incurred	No	Partially Corrected. See Management Letter.

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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
MAY 15, 2012**