



**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	17

This page intentionally left blank.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Northfield Center Township, Summit County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the 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 fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2002 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 audits.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

August 16, 2002

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$209,608	\$627,233		\$836,841
Intergovernmental	344,336	146,547		490,883
Charges for Services	185,407	382,716		568,123
Licenses, Permits, and Fees	5,635			5,635
Fines, Forfeitures, and Penalties	8,580			8,580
Earnings on Investments	42,635	45,662		88,297
Other Revenue	28,311	11,739		40,050
	<u>824,512</u>	<u>1,213,897</u>		<u>2,038,409</u>
Cash Disbursements:				
Current:				
General Government	250,646	5,805		256,451
Public Safety	351,231	378,319		729,550
Public Works	196,658	491,759		688,417
Health	49,674			49,674
Human Services	5,189	8,078		13,267
Contract Services	550			550
Supplies and Materials		9,712		9,712
Miscellaneous		10,046		10,046
Capital Outlay	57,995	40,350		98,345
	<u>911,943</u>	<u>944,069</u>		<u>1,856,012</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(87,431)</u>	<u>269,828</u>		<u>182,397</u>
Other Financing Receipts and (Disbursements):				
Other Sources	4,854		\$62,800	67,654
Other Uses			(26,500)	(26,500)
	<u>4,854</u>		<u>36,300</u>	<u>41,154</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(82,577)	269,828	36,300	223,551
Fund Cash Balances, January 1	558,961	1,494,238	63,950	2,117,149
Fund Cash Balances, December 31	<u>\$476,384</u>	<u>\$1,764,066</u>	<u>\$100,250</u>	<u>\$2,340,700</u>
Reserve for Encumbrances, December 31	<u>\$915</u>	<u>\$73,417</u>	<u>\$0</u>	<u>\$74,332</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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$193,412	\$568,302		\$761,714
Intergovernmental	324,318	163,447		487,765
Charges for Services	183,197	272,500		455,697
Licenses, Permits, and Fees	5,916			5,916
Fines, Forfeitures, and Penalties	7,652			7,652
Earnings on Investments	44,524	66,550		111,074
Other Revenue	5,240	16,075		21,315
	<u>764,259</u>	<u>1,086,874</u>		<u>1,851,133</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	241,439			241,439
Public Safety	261,921	312,848		574,769
Public Works	46,916	498,010		544,926
Health	27,996			27,996
Conservation - Recreation	15,712			15,712
Miscellaneous		60,369		60,369
Capital Outlay		14,829		14,829
	<u>593,984</u>	<u>886,056</u>		<u>1,480,040</u>
Total Cash Disbursements				
Total Cash Receipts Over Cash Disbursements	<u>170,275</u>	<u>200,818</u>		<u>371,093</u>
Other Financing Receipts and (Disbursements):				
Other Sources	11,376		\$13,400	24,776
Other Uses			(19,150)	(19,150)
	<u>11,376</u>		<u>(5,750)</u>	<u>5,626</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	181,651	200,818	(5,750)	376,719
Fund Cash Balances, January 1	<u>377,310</u>	<u>1,293,420</u>	<u>69,700</u>	<u>1,740,430</u>
Fund Cash Balances, December 31	<u>\$558,961</u>	<u>\$1,494,238</u>	<u>\$63,950</u>	<u>\$2,117,149</u>
Reserves for Encumbrances, December 31	<u>\$13,849</u>	<u>\$19,285</u>	<u>\$0</u>	<u>\$33,134</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, 2001 AND 2000**

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. 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 disbursements 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).

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

C. 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.

Repurchase agreements and STAR Ohio are recorded at share values 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific 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.

3. 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.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 the appropriation measure 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.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$482	(\$56,931)
STAR Ohio	1,285,218	1,234,080
Repurchase agreements	1,055,000	940,000
Total investments	2,340,218	2,174,080
 Total deposits and investments	 \$2,340,700	 \$2,117,149

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

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

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$893,695	\$829,366	(\$64,329)
Special Revenue	1,193,784	1,213,897	20,113
Expendable Trust	43,108	62,800	19,692
Total	\$2,130,587	\$2,106,063	(\$24,524)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,359,656	\$912,858	\$446,798
Special Revenue	2,530,810	1,017,486	1,513,324
Expendable Trust	107,000	26,500	80,500
Total	\$3,997,466	\$1,956,844	\$2,040,622

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$686,302	\$775,635	\$89,333
Special Revenue	1,125,652	1,086,874	(38,778)
Expendable Trust	65,794	13,400	(52,394)
Total	\$1,877,748	\$1,875,909	(\$1,839)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,930	\$607,833	(\$603,903)
Special Revenue	45,089	905,341	(860,252)
Expendable Trust	0	19,150	(19,150)
Total	\$49,019	\$1,532,324	(\$1,483,305)

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. NONCOMPLIANCE

1. Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify all 2001 and 2000 expenditures prior to entering into commitments.
2. Contrary to Ohio Rev. Code Section 5705.41(B), object level expenditures plus outstanding encumbrances exceeded appropriations within the General, Special Revenue, and Expendable Trust Funds for 2000 by the following amounts:

<u>2000</u>	<u>Fund/Object</u>	
General Fund – Salaries – Trustees		(\$18,672)
General Fund – Salary – Clerk		(\$15,753)
General Fund – Salary – Administrator		(\$30,178)
General Fund – Insurance		(\$26,604)
General Fund – Hospitalization		(\$17,349)
General Fund - Legal Counsel (Annual and Other)		(\$3,317)
General Fund - Auditor's and Treasurer's Fees		(\$5,701)
General Fund - Election Expense		(\$1,208)
General Fund - Civil Defense		(\$1,274)
General Fund - Other Expenses		(\$30,304)
General Fund – Salaries		(\$172,046)
Special Revenue Road & Bridge - Salaries – Trustees		(\$9,336)
Special Revenue Road & Bridge - Hospitalization		(\$27,591)
Special Revenue Road & Bridge - Salaries		(\$99,310)
Special Revenue Road & Bridge - Material		(\$28,189)
Special Revenue Road & Bridge - Contracts		(\$192,806)
Special Revenue Police District - Contracts		(\$253,659)
Special Revenue Police District - Other Expenses		(\$3,592)
Special Revenue Non Res. Billing/Misc. Grants - Sagamore Hills Nonresident Billing Collection		(\$29,149)
Special Revenue Fire Levy - Auditor's and Treasurer's Fees		(\$1,981)
Expendable Trust - Other Uses		(\$19,150)

3. Contrary to Ohio Rev. Code Section 135.14, the Township did not file an investment policy with the Auditor of State during 2001 or 2000.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 SYSTEM

All employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

8. 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 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.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Northfield Center Township, Summit County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 16, 2002. We conducted our audits 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 audits 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 2001-40977-001 through 2001-40977-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated August 16, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-40977-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 16, 2002.

This report is intended solely 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

August 16, 2002

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40977-001

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

This section also provides for two "exceptions" to the above requirements:

- a. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Township Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate

- b. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid

During the audit period 20 out of 60 expenditures tested (33.33%) were not certified by the Clerk/Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The Township should certify the availability of funds prior to incurring any obligation. The Township should inform all employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Township should also implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2001-40977-002

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2000, object level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

<u>2000</u>	<u>Fund/Object</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
	General Fund - Salaries-Trustees	\$0	\$18,672	(\$18,672)
	General Fund - Salary-Clerk	0	15,753	(15,753)
	General Fund - Salary-Administrator	0	30,178	(30,178)
	General Fund - Insurance	0	26,604	(26,604)
	General Fund - Hospitalization	0	17,349	(17,349)
	General Fund - Legal Counsel (Annual and Other)	0	3,317	(3,317)
	General Fund - Auditor's and Treasurer's Fees	0	5,701	(5,701)
	General Fund - Election Expense	0	1,208	(1,208)
	General Fund - Civil Defense	0	1,274	(1,274)
	General Fund - Other Expenses	0	30,304	(30,304)
	General Fund - Salaries	0	172,046	(172,046)
	Special Revenue Road & Bridge - Salaries-Trustees	0	9,336	(9,336)
	Special Revenue Road & Bridge - Hospitalization	0	27,591	(27,591)
	Special Revenue Road & Bridge - Salaries	0	99,310	(99,310)
	Special Revenue Road & Bridge - Material	0	28,189	(28,189)
	Special Revenue Road & Bridge - Contracts	0	192,806	(192,806)
	Special Revenue Police District - Contracts	0	253,659	(253,659)
	Special Revenue Police District - Other Expenses	0	3,592	(3,592)
	Special Revenue Non Res. Billing/Misc. Grants - Sagamore Hills Nonresident Billing Collection	0	29,149	(29,149)
	Special Revenue Fire Levy - Auditor's and Treasurer's Fees	0	1,981	(1,981)
	Expendable Trust - Other Uses	0	19,150	(19,150)

The Clerk/Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level to avoid overspending.

FINDING NUMBER 2001-40977-003

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.

FINDING NUMBER 2001-40977-004

Material Weakness

Bank Reconciliations

The Township's bank and investment accounts were not reconciled to the Township's accounting ledgers from January 2000 through December 31, 2001. The Township currently uses an automated accounting system to record Township transactions, which allows for a monthly reconciliation to be performed. However, the Township did not use this system to reconcile because Township transactions were not updated to the system in a timely manner.

We also noted that bank reconciliations and related support were not independently reviewed. These conditions allowed posting errors and omissions to go undetected by management and accumulate without timely resolution. These conditions also exposed Township funds to the risk of undetected irregularities.

Township procedures should provide for timely completion of monthly bank reconciliations, reconciliation of Township cash and investment balances to the system generated cash journal, and independent review and verification of reconciliation balances and related support. Adoption of such procedures will reduce the Township's risk exposure to undetected errors, omissions, and irregularities.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40977-001	Ohio Rev. Code Section 5705.41(D) – Certifying funds after the incurrence of obligation	No	Not Corrected. Reissued as 2001-40977-001
1999-40977-002	Ohio Rev. Code Section 135.14 – No written investment policy	No	Not Corrected. Reissued as 2001-40977-003
1999-40977-003	Material Weakness – Bank reconciliations were not performed during the audit period	No	Not Corrected. Reissued as 2001-40977-004



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 19, 2002**