

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

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



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Report of Independent Accountants* of Northfield Center Township, Summit County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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

November 27, 2006

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NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 & 2004

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 2005 and 2004. 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 that 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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 December 31, 2005 and 2004, 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 and reserves for encumbrances of Northfield Center Township, Summit County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2006 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
September 25, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Receipts:				
Property and Other Local Taxes	\$ 270,153	\$ 761,513	-	\$ 1,031,666
Charges for Services	406,270	300,423	-	706,693
Licenses, Permits and Fees	31,302	-	-	31,302
Fines and Forfeitures	9,030	-	-	9,030
Intergovernmental	311,022	156,922	-	467,944
Interest	60,913	39,377	-	100,290
Miscellaneous	5,168	31,373	-	36,541
Total Receipts	1,093,858	1,289,608	-	2,383,466
Disbursements:				
Current:				
General Government	326,426	10,735	-	337,161
Public Safety	487,010	639,801	-	1,126,811
Public Works	59,318	376,616	-	435,934
Health	60,694	-	-	60,694
Human Services	3,359	1,713	-	5,072
Other	292	26,967	-	27,259
Capital Outlay	81,250	295,270	-	376,520
Total Disbursements	1,018,349	1,351,102	-	2,369,451
Excess of Receipts Over/(Under) Disbursements	75,509	(61,494)	-	14,015
Other Financing Sources/(Uses):				
Other Financing Sources	14,434	-	-	14,434
Deposits	-	-	\$ 162,200	162,200
Deposits Refunded	-	-	(191,300)	(191,300)
Total Other Financing Sources/(Uses)	14,434	-	(29,100)	(14,666)
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	89,943	(61,494)	(29,100)	(651)
Fund Balance January 1, 2005	293,495	2,217,754	459,625	2,970,874
Fund Balance December 31, 2005	\$ 383,438	\$ 2,156,260	\$ 430,525	\$ 2,970,223
Reserve for Encumbrances, December 31, 2005	\$ 38,868	\$ 144,446	-	\$ 183,314

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 FUND AND FIDUCIARY FUND TYPES
For the Year Ended December 31, 2004

	Governmental Fund Types		Fiduciary	(Memorandum
	General	Special Revenue	Fund Type	Only)
			Agency	Total
Receipts:				
Property and Other Local Taxes	\$ 251,095	\$ 649,529	-	\$ 900,624
Charges for Services	327,000	357,223	-	684,223
Licenses, Permits and Fees	51,099	-	-	51,099
Fines and Forfeitures	4,829	-	-	4,829
Intergovernmental	271,384	178,601	-	449,985
Interest	17,593	14,262	-	31,855
Miscellaneous	50,417	17,966	-	68,383
Total Receipts	973,417	1,217,581	-	2,190,998
Disbursements:				
Current:				
General Government	344,648	4,382	-	349,030
Public Safety	400,180	528,394	-	928,574
Public Works	59,248	466,452	-	525,700
Health	61,438	-	-	61,438
Human Services	2,848	3,209	-	6,057
Other	-	1,496	-	1,496
Capital Outlay	96,713	125,985	-	222,698
Total Disbursements	965,075	1,129,918	-	2,094,993
Excess of Receipts Over/(Under)				
Disbursements	8,342	87,663	-	96,005
Other Financing Sources/(Uses):				
Other Financing Sources	293	-	-	293
Deposits	-	-	\$ 201,800	201,800
Deposits Refunded	-	-	(8,700)	(8,700)
Total Other Financing Sources/(Uses)	293	-	193,100	193,393
Excess of Receipts and Other Financing				
Sources Over/(Under) Disbursements				
and Other Financing Uses	8,635	87,663	193,100	289,398
Fund Balance January 1, 2004	284,860	2,130,091	266,525	2,681,476
Fund Balance December 31, 2004	\$ 293,495	\$ 2,217,754	\$ 459,625	\$ 2,970,874
Reserve for Encumbrances, December 31, 2004	\$ 14,403	\$ 8,141	-	\$ 22,544

See accompanying Notes to the Financial Statements.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Northfield Center Township, Summit County (the Township) is a body corporate and politic established for the purpose of exercising 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 road maintenance, fire and emergency services. The Township contracts with the Summit County Sheriff to provide police protection.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following 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.)

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

C. CASH

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 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

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

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 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: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures 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.

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

Fire Special Levy Fund – This fund receives property tax money to operate and maintain the Township Fire Department.

Gasoline Tax Fund- This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

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

Permissive Motor Vehicle License Fund- This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Fiduciary Fund Types:

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township has the following significant fiduciary funds:

Agency Fund- This fund is used to account for builders completion bonds required of contractors constructing new housing units in the Township and some other miscellaneous deposits required by Township resolution. These cash bonds are submitted to the Township and held until the respective activity is completed and approved by the Township Building Inspector.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. 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 revenue increases or the Clerk identifies decreases in revenue.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS – (continued)

1. Estimated Resources – (continued)

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. 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.

3. 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. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

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.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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 at December 31 was as follows:

	2004	2005
Demand Deposits	\$ (54,067)	\$ (116,419)
Repurchase Agreements	1,685,000	1,705,000
STAR Ohio	1,339,941	1,381,642
Total	\$ 2,970,874	\$ 2,970,223

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

STAR Ohio: STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The negative carrying amount in the 2004 and 2005 Demand Deposits is due to the Township investing in overnight repurchase agreements.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% 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 2004.

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.

The State Board of Tax Equalization adjusts the tax rates for inflation. 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. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

3. PROPERTY TAXES - (continued)

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

<u>Fund:</u>	<u>2005 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$996,677	\$1,108,292	\$111,615
Special Revenue	1,297,396	1,289,608	(7,788)
Total	\$2,294,073	\$2,397,900	\$103,827

<u>Fund:</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$1,279,500	\$1,057,217	\$222,283
Special Revenue	3,436,925	1,495,548	1,941,377
Total	\$4,716,425	\$2,552,765	\$2,163,660

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

4. BUDGETARY ACTIVITY – (continued)

<u>Fund:</u>	<u>2004 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$842,273	\$973,710	\$131,437
Special Revenue Funds	1,422,249	1,217,581	(204,668)
Total	<u>\$2,264,522</u>	<u>\$2,191,291</u>	<u>\$(73,231)</u>

<u>Fund:</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$1,070,025	\$979,478	\$90,547
Special Revenue Funds	3,395,535	1,138,059	2,257,476
Total	<u>\$4,465,560</u>	<u>\$2,117,537</u>	<u>\$2,348,023</u>

5. RETIREMENT SYSTEM

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 the state statute per Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority for employee and employer deductions. The employee contribution rates are 8.5% of their gross salaries. For local government units, the rate was 13.55% of covered payroll for 2004 and 2005.

**NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. RISK MANAGEMENT

RISK POOL MEMBERSHIP

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA's losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

Financial Position

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

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	(753,906)	(750,956)
Retained Earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

7. JOINT VENTURE

The Township participants 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 or 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.

8. JOINTLY GOVERNED ORGANIZATION

The North Hills Water 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 the Districts 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.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

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

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

10. RESTATEMENT OF PRIOR YEAR FUND BALANCE

The Building Deposits Fund was reclassified from the Expendable Trust Fund Type category where it was reported in previous audits to an Agency Fund Type in order to report it in the proper fund category. The January 1, 2004 Agency Fund balance was increased \$266,525 and the Expendable Trust Fund Balance was reduced to \$0 as a result of this reclassification.

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Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Northfield Center Township, Summit County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 25, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation over 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 2005 – 001.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 consider the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated September 25, 2006.

Compliance and Other Matters

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, grant agreements and other matters, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated September 25, 2006.

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

Charles E. Harris and Associates, Inc.

September 25, 2006

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

Finding Number: 2005-001 - Material Weakness

Bank Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For the month of December 2005, the Township did not resolve various differences between the adjusted bank balance and the balance reflected within the Township's accounting records until July 2006. The annual report for this year was filed with the Auditor of State with this unresolved difference.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month. The Township Board of Trustees should sign and date the bank reconciliations to indicate that they have been reviewed and approved.

Management Response:

Bank reconciliations are usually completed no later than (45) days after the reconciliations are received in the mail. However due to a computer software and/or hardware error, the December 2005 reconciliation was not completed within a timely fashion. Every effort is made to complete reconciliations within a timely manner to assure accurate record keeping and internal control.

NORTHFIELD CENTER TOWNSHIP
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10: Disclose the current year finding in this schedule
2003-001	ORC Section 5705.41 (D) - Failure to certify funds	No	Partially Corrected. Management Letter Item
2003-002	ORC Section 5705.36 Reduced amended certificate	Yes	Corrected
2003-003	ORC Section 135.14 Investment Policy	Yes	Corrected



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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
DECEMBER 12, 2006**