

***NORTHFIELD CENTER – SAGAMORE HILLS FIRE DISTRICT***

**SUMMIT COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2013 and 2012**







# Dave Yost • Auditor of State

Board of Trustees  
Northfield Center - Sagamore Hills Fire District  
60 West Aurora Road  
Northfield Center, Ohio 44067

We have reviewed the *Report of Independent Accountants* of the Northfield Center - Sagamore Hills Fire District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 18, 2014

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**NORTHFIELD CENTER – SAGAMORE HILLS FIRE DISTRICT**  
**SUMMIT COUNTY, OHIO**  
**Audit Report**  
**For the years ended December 31, 2013 and 2012**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Northfield Center - Sagamore Hills Fire District  
Summit County  
60 West Aurora Road  
Northfield Center, Ohio 44067

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major fund of Northfield Center - Sagamore Hills Fire District, Summit County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the Northfield Center - Sagamore Hills Fire District, Summit County, Ohio, as of December 31, 2013 and 2012, and the change in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

We audited to opine on the District's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 on our consideration of the District'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 25, 2014

Northfield Center – Sagamore Hills Fire District  
Management’s Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012  
Unaudited

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This discussion and analysis of the Northfield Center – Sagamore Hills Fire District’s (Fire District) financial performance provides an overall review of the Fire District’s financial activities for the years ended December 31, 2013 and 2012, within the limitations of the Fire District’s cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Fire District’s financial performance.

**Highlights**

Key highlights for 2013 and 2012 are as follows:

Net position of governmental activities decreased \$23,178, or 18 percent, from 2012 to 2013.

Net position of governmental activities increased \$41,165, or 48 percent, from 2011 to 2012.

The Fire District’s general receipts are primarily contributions to expense sharing and fees. These receipts represent 71 percent of the total cash received for public safety activities for both 2013 and 2012.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Fire District’s cash basis of accounting.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the Fire District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Fire District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Northfield Center – Sagamore Hills Fire District  
Management’s Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012  
Unaudited

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Fire District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Fire District’s cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Fire District as a Whole**

The statement of net position and the statement of activities reflect how the Fire District did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the public safety activities of the Fire District at year end. The statement of activities compares cash disbursements with program receipts for each fire district program. Program receipts include charges paid by the recipient of the Fire District’s EMS services and grants. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how the public safety activity draws from the Fire District’s general receipts.

These statements report the Fire District’s cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Fire District’s financial health. Over time, increases or decreases in the Fire District’s cash position is one indicator of whether the Fire District’s financial health is improving or deteriorating. When evaluating the Fire District’s financial condition, you should also consider other nonfinancial factors as well.

In the statement of net position and the statement of activities, we note the Fire District’s sole public safety activity:

Governmental activity - All of the Fire District’s basic services are reported here. Charges for services and federal grants finance a small part of these activities.

Northfield Center – Sagamore Hills Fire District  
Management’s Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012  
Unaudited

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**Reporting the Fire District’s Most Significant Funds**

Fund financial statements provide detailed information about the Fire District’s major fund. The Fire District maintains only a General Fund. The funds of the Fire District are limited to the governmental category.

Governmental Funds - All of the Fire District’s activities are reported in a governmental fund. The governmental fund financial statements provide a detailed view of the Fire District’s and the public safety services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Fire District’s programs. The Fire District’s sole governmental fund is presented on the financial statements as the General Fund. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

**The Fire District as a Whole**

Table 1 provides a summary of the Government’s net position for 2013 compared to 2012 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities		
	2013	2012	2011
<b>Assets</b>			
Cash and Cash Equivalents	\$103,725	\$126,903	\$85,738
Total Assets	\$103,725	\$126,903	\$85,738
<b>Net Position</b>			
Unrestricted	103,725	126,903	85,738
Total Net Position	\$103,725	\$126,903	\$85,738

As mentioned previously, net position of governmental activities decreased \$23,178 during 2013 whereas in 2012 net position increased \$41,165. The primary reasons contributing to these fluctuations is not from any specific event but related to the timing of cash disbursements and cash receipts.

Northfield Center – Sagamore Hills Fire District  
Management’s Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012  
Unaudited

Table 2 reflects the changes in net position for governmental activities on a cash basis for 2013, 2012 and 2011.

(Table 2)  
**Changes in Net Position**

	Governmental Activities		
	2013	2012	2011
Receipts:			
Program Receipts:			
Charges for Services	\$ 328,598	\$ 256,491	\$ 259,650
Operating Grants	-	-	7,845
Total Program Receipts	<u>328,598</u>	<u>256,491</u>	<u>267,495</u>
General Receipts:			
Contributions to expense sharing	793,139	585,766	585,623
Fees and Other	225	33,009	30,564
Total General Receipts	<u>793,364</u>	<u>618,775</u>	<u>616,187</u>
Total Receipts	<u>1,121,962</u>	<u>875,266</u>	<u>883,682</u>
Disbursements:			
Public Safety	<u>1,145,140</u>	<u>834,101</u>	<u>870,816</u>
Total Disbursements	<u>1,145,140</u>	<u>834,101</u>	<u>870,816</u>
Increase in Net Position	(23,178)	41,165	12,866
Net Position, Beginning of period	<u>126,903</u>	<u>85,738</u>	<u>72,872</u>
Net Position, End of period	<u>\$ 103,725</u>	<u>\$ 126,903</u>	<u>\$ 85,738</u>

Program receipts represent 29 percent of total receipts for 2013 and 2012 and 30 percent for 2011. The program receipts are primarily comprised of charges for services (EMS services).

General receipts represent 71 percent of the Fire District’s 2013 and 2012 total receipts, and 30 percent of 2011 total receipts. General receipts are mainly comprised of contributions to expense sharing by the two townships participating in the Fire District. Inspection fees make up the majority of the balance of the Fire District’s general receipts. Other receipts are not significant.

Disbursements for Public Safety represent the costs of running the Fire District. These include the payroll costs of firefighters, supplies and equipment and safety vehicle maintenance.

Northfield Center – Sagamore Hills Fire District  
 Management’s Discussion and Analysis  
 For the Years Ended December 31, 2013 and 2012  
 Unaudited

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**Statement of Activities**

If you look at the Statement of Activities on pages 10 and 11, you will see that the first column lists the major service – Public Safety provided by the Fire District. The next column identifies the costs of providing these services. The program disbursements for fire district activities are solely for public safety. The next column of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Fire District that are used to provide for public safety. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from contributions to expense sharing and fees and other.

(Table 3)

**Fire District Activity**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Governmental Activities						
Public Safety	\$1,145,140	(\$816,542)	\$834,101	(\$577,610)	\$870,816	(\$603,321)

The dependence upon contributions to expense sharing and fees and other is apparent as over 71 percent of governmental activities for 2013 and 2012 are supported through these general receipts. The dependence upon general receipts was apparent in 2011 as well with these receipts being 70 percent of total receipts.

**The Fire District’s Funds**

Total general fund, the only governmental fund, had receipts of \$1,121,962 and \$875,266 for 2013 and 2012 and disbursements of \$1,145,140 and \$834,101 for 2013 and 2012. The fund balance of the General Fund decreased \$23,178 in 2013 as the result of expenses exceeding receipts for the year.

**General Fund Budgeting Highlights**

The Fire District’s budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The only budgeted fund is the General Fund.

Northfield Center – Sagamore Hills Fire District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012  
Unaudited

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During 2013 and 2012, the Fire District did not amend its General Fund budget. Final budgeted receipts were the same as original budgeted receipts for both years. The difference between final budgeted receipts and actual receipts was significant as of December 31, 2013. Final budgeted receipts were higher than actual receipts as of December 31, 2013 due mainly to reduced contributions needed from Northfield Center Township and Sagamore Hills Township.

Final disbursements were budgeted at \$1,459,900 and \$1,279,900 while actual disbursements were \$1,145,140 and \$834,101 as of December 31, 2013 and 2012, respectively. Although receipts were not received as expected, appropriations were not reduced. The Fire District kept spending to a minimum even though higher amounts were budgeted. The result is the decrease in fund balance of \$23,178 for 2013 and the increase of \$41,165 for 2012.

**Contacting the Fire District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Fire District's finances and to reflect the Fire District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Rosemary Barrett, Clerk, Northfield Center – Sagamore Hills Fire District, 60 W. Aurora Rd. Northfield Center, Ohio 44067.

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Net Position - Cash Basis  
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$103,725	\$126,903
<b>Net Position</b>		
Unrestricted	<u>103,725</u>	<u>126,903</u>
Total Net Position	<u>\$103,725</u>	<u>\$126,903</u>

See accompanying notes to the basic financial statements

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2013

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash</u> <u>Receipts</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Position</u>
		<u>Charges</u> <u>for Services</u>	<u>Total</u>
<b>Governmental Activities</b>			
Current:			
Public Safety	\$1,145,140	\$328,598	(\$816,542)
General Receipts			
Contributions to Expense Sharing			793,139
Fees and Other			225
			<u>793,364</u>
			(23,178)
			<u>126,903</u>
			<u>\$103,725</u>

See accompanying notes to the basic financial statements

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2012

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Total
<b>Governmental Activities</b>			
Current:			
Public Safety	\$834,101	\$256,491	(\$577,610)
General Receipts			
Contributions to Expense Sharing			585,766
Fees and Other			33,009
			618,775
Total General Receipts			618,775
Change in Net Position			41,165
Net Position Beginning of Year			85,738
Net Position End of Year			\$126,903

See accompanying notes to the basic financial statements

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Assets and Fund Balances - Cash Basis  
General Fund  
December 31, 2013 and 2012

	2013 General	2012 General
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$103,725	\$126,903
<i>Total Assets</i>	\$103,725	\$126,903
<b>Fund Balances</b>		
Unassigned	\$103,725	\$126,903
Total Fund Balances	\$103,725	\$126,903

See accompanying notes to the basic financial statements

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Receipts, Disbursements and Changes In Fund Balances - Cash Basis  
General Fund  
For the Years Ended December 31, 2013 and 2012

	2013 General	2012 General
<b>Receipts</b>		
Charges for Services	\$328,598	\$256,491
Fees and Other	225	33,009
Contributions to Expense Sharing	793,139	585,766
Total Receipts	<u>1,121,962</u>	<u>875,266</u>
<b>Disbursements</b>		
Current:		
Public Safety	<u>1,145,140</u>	<u>834,101</u>
Total Disbursements	<u>1,145,140</u>	<u>834,101</u>
Net Change in Fund Balances	(23,178)	41,165
Fund Balances Beginning of Year	<u>126,903</u>	<u>85,738</u>
Fund Balances End of Year	<u><u>\$103,725</u></u>	<u><u>\$126,903</u></u>

See accompanying notes to the basic financial statements

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Receipts, Disbursements and Changes In Fund Balances - Budget Basis  
Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$280,000	\$280,000	\$328,598	\$48,598
Fees and Other	-	-	225	225
Contributions to Expense Sharing	1,179,899	1,179,899	793,139	(386,760)
Total Receipts	<u>1,459,899</u>	<u>1,459,899</u>	<u>1,121,962</u>	<u>(337,937)</u>
<b>Operating Disbursements</b>				
Current:				
Public Safety	1,459,900	1,459,900	1,145,140	314,760
Total Disbursements	<u>1,459,900</u>	<u>1,459,900</u>	<u>1,145,140</u>	<u>314,760</u>
Excess of Receipts Over Disbursements	(1)	(1)	(23,178)	(23,177)
Fund Balance Beginning of Year	<u>126,903</u>	<u>126,903</u>	<u>126,903</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$126,902</u></u>	<u><u>\$126,902</u></u>	<u><u>\$103,725</u></u>	<u><u>(\$23,177)</u></u>

See accompanying notes to the basic financial statements

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Receipts, Disbursements and Changes In Fund Balances - Budget Basis  
Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$250,000	\$250,000	\$256,491	\$6,491
Fees and Other	-	-	33,009	33,009
Contributions to Expense Sharing	1,029,900	1,029,900	585,766	(444,134)
Total Receipts	<u>1,279,900</u>	<u>1,279,900</u>	<u>875,266</u>	<u>(404,634)</u>
<b>Disbursements</b>				
Current:				
Public Safety	1,279,900	1,279,900	834,101	445,799
Total Disbursements	<u>1,279,900</u>	<u>1,279,900</u>	<u>834,101</u>	<u>445,799</u>
Excess of Receipts Over Disbursements	-	-	41,165	41,165
Fund Balance Beginning of Year	<u>85,738</u>	<u>85,738</u>	<u>85,738</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$85,738</u></u>	<u><u>\$85,738</u></u>	<u><u>\$126,903</u></u>	<u><u>\$41,165</u></u>

See accompanying notes to the basic financial statements

## **Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

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### **Note 1 – Reporting Entity**

Northfield Center – Sagamore Hills Fire District, Summit County, Ohio (the Fire District), is a body politic and corporate established in 2010 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by a six-member Board of Trustees consisting of the publicly elected Trustees of Northfield Center and Sagamore Hills Townships.

The reporting entity is comprised of the entire Fire District operations to ensure that the financial statements are not misleading.

### **Fire District Operations**

The fire district operations consist of all funds, departments, boards and agencies that are not legally separate from the Fire District. The Fire District provides fire protection and rescue services within the Fire District and by contract to areas outside the Fire District.

### **Component Units**

Component units are legally separate organizations for which the Fire District is financially accountable. The Fire District is financially accountable for an organization if the Fire District appoints a voting majority of the organization's governing board; and (1) the Fire District is able to significantly influence the programs or services performed or provided by the organization; or (2) the Fire District is legally entitled to or can otherwise access the organization's resources; the Fire District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Fire District is obligated for the debt of the organization. Component units may also include organizations for which the Fire District authorizes the issuance of debt or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Fire District. The Fire District has no component units.

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

### **Note 2 – Summary of Significant Accounting Policies**

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

### **Basis of Presentation**

The Fire District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

## Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

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**Government-Wide Financial Statements** The statement of net position and the statement of activities display information about the Fire District as a whole. These statements include the financial activities of the Fire District operations. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

**Fund Financial Statements** During the year, the Fire District transactions related to Fire District functions or activities are reported in the General Fund to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The Fire District's only fund is the General Fund.

### **Basis of Accounting**

The Fire District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Fire District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Fire District are described in the appropriate section in this note. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued liabilities and the related expenditures) are not recorded in these financial statements.

### **Budgetary Process**

The Fire District is obligated under legal requirement to be appropriated but not required to file a budget with the County. As such, the Fire District is not currently required to prepare a tax budget, or obtain a certificate of estimated resources, but does maintain an appropriations resolution.

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

The appropriations resolution is subject to amendment throughout the year.

## **Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

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### **Cash and Investments**

The Fire District has not yet had sufficient cash resources to make investments of any kind and currently maintain cash balances in a non-interest bearing checking account.

As cash management is needed, cash received by the Fire District will be pooled and invested. Individual fund integrity will be maintained through Fire District records. Interest in the pool will be presented as “Equity in Pooled Cash and Cash Equivalents”. Interest earnings are allocated to Fire District according to related restrictions.

### **Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Fire District has no restricted assets at December 31, 2013 or 2012.

### **Inventory and Prepaid Items**

The Fire District has no significant inventory or prepaid items at December 31, 2013 or 2012. As such, disbursements for inventory or prepaid items are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

### **Capital Assets**

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

### **Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, certain employees or fire fighters may be entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Fire District’s cash basis of accounting.

### **Employer Contributions to Cost-Sharing Pension Plans**

The Fire District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

### **Long-Term Obligations**

The Fire District currently has no bond liability or other long-term obligations.

## Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

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### Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Fire District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

### Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Fire District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted** Fund balance is reported as 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.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Fire District Trustees. Those committed amounts cannot be used for any other purpose unless the Fire District Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Fire District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Fire District Trustees or a Fire District official delegated that authority by resolution, or by State Statute.

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

The Fire District 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.

**Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

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**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The Fire District has no encumbrances outstanding at year end 2013 or 2012.

**Note 4 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer’s investment pool (STAR Ohio).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Fire District had no undeposited cash on hand.

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

The Fire District bank balances of \$53,470 and \$142,938 as of December 31, 2013 and 2012 respectively are fully insured by the Federal Deposit Insurance Corporation (FDIC).

**Note 5 – Risk Management**

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013 and 2012, the Fire District contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
VFIS	Property	\$1,040,000
VFIS	Crime	\$10,000
VFIS	Loss of Income	12 mo. Actual
VFIS	Extra Expense	12 mo. Actual loss
American Alternative Ins/VFIS	General Liability, in aggregate	\$3 million
American Alternative Ins/VFIS	General Liability, per occurrence	\$1 million
American Alternative Ins/VFIS	Commercial Umbrella Liability	\$10 million
American Alternative Ins/VFIS	Public Officials Bond	\$25,000

## **Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

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Settled claims have not exceeded coverage since the inception of the Fire District and there was no significant reduction in coverage from the prior year.

The Fire District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

### **Note 6 – Defined Benefit Pension Plan**

#### **Ohio Public Employees Retirement System**

Plan Description – The Fire District employed no full-time firefighters in 2013 or 2012. The majority of the firefighting force is part-time, such that only certain firefighters, the non-firefighting administrative staff and the Fire District Trustees are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions. For the years ended December 31, 2013 and 2012, members in the state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013 and 2012, member and employer contribution rates were consistent across all three plans.

The Fire District's 2013 and 2012 contribution rates were 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1.0 percent in 2013 and 6.05 percent in 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.0 percent for 2013 and 2012. Employer contribution rates are actuarially determined.

The Fire District's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$18,463, \$12,188 and \$9,379 respectively; 100 percent has been contributed for all three years.

## **Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2013 and 2012

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### **Social Security System**

Effective May 1, 1997, all volunteer/part-time firefighters not otherwise covered by OPERS were covered by the Social Security System. As of December 31, 2013, almost all part-time firefighters (two firefighters qualify for OPERS) of the Fire District are covered by the Social Security System. The employer contribution rate was 6.2 percent of wages paid for 2013 and 2012, respectively.

### **Note 7 - Postemployment Benefits**

#### **Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 and 4.0 percent for 2013 and 2012, respectively. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 and 6.05 percent for 2013 and 2012, respectively.

## **Northfield Center – Sagamore Hills Fire District**

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The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Fire District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$1,318, \$2,438 and \$4,053, respectively; 100 percent has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

### **Note 8 – Leases**

The Fire District leases the Fire Station land and buildings under an annual lease with Northfield Center Township for \$1 per year.

### **Note 9 – Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Fire District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the only existing fund, the general fund, are unassigned.

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

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

Northfield Center - Sagamore Hills Fire District  
Summit County  
60 West Aurora Road  
Northfield Center, Ohio 44067

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of Northfield Center - Sagamore Hills Fire District, Summit County (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 25, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District'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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 25, 2014

**NORTHFIELD CENTER SAGAMORE HILLS FIRE DISTRICT  
SUMMIT COUNTY  
For the Years Ended December 31, 2013 and 2012**

**STATUS OF PRIOR AUDIT FINDINGS**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2011-01	Appropriation Exceeding Estimated Resources	Yes	Finding no longer valid
2011-02	Expenditures Not Certified Prior to Incurring Obligation	Yes	Finding no longer valid
2011-03	Appropriations Exceeding Actual Resources	Yes	Finding no longer valid
2011-04	Tax Levy for Fire Protection	Yes	Finding no longer valid
2011-05	Service Organization – EMS Billing	Yes	Finding no longer valid

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# Dave Yost • Auditor of State

**NORTHFIELD CENTER SAGAMORE HILLS FIRE DISTRICT**

**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  
JULY 31, 2014**