



Dave Yost • Auditor of State

**NORTHFIELD CENTER - SAGAMORE HILLS FIRE DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

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 year ended December 31, 2011 and for the period from July 1, 2010 to December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Emergency medical service fees reported as charges for services are processed by a service organization independent of the District. The service organization did not provide us with information we requested regarding the design of proper operation of its internal controls. We were therefore unable to satisfy ourselves as to the proper processing of emergency medical services fees. Those fees represent 29% and 10% of revenues reported for the year ended December 31, 2011 and for the period from July 1, 2010 to December 31, 2010, respectively.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to examine information regarding emergency medical service fees reported, as described in the second preceding paragraph, 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 Northfield Center – Sagamore Hills Fire District, Summit County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position thereof, and the budgetary comparison for the General Fund thereof for the year and period then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However 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. These tables were subject 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, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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.



Dave Yost
Auditor of State

November 26, 2012

Northfield Center – Sagamore Hills Fire District
Management’s Discussion and Analysis
For the Year Ended December 31, 2011 and for the period from inception July 1, 2010 to
December 31, 2010
Unaudited

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 year ended December 31, 2011 and for the period from inception July 1, 2010 to December 31, 2010, 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 2011 and for the period from inception July 1, 2010 to December 31, 2010 are as follows:

Net assets of governmental activities increased \$12,866, or 17 percent, from 2010 to 2011.

The Fire District’s general receipts are primarily contributions to expense sharing and fees. These receipts represent 70 and 89 percent, respectively of the total cash received for public safety activities during 2011 and 2010.

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 assets 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 Year Ended December 31, 2011 and for the period from inception July 1, 2010 to
December 31, 2010
Unaudited

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 assets and the statement of activities reflect how the Fire District did financially during 2011 and for the period from inception July 1, 2010 to December 31, 2010, within the limitations of cash basis accounting. The statement of net assets 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 assets and the statement of activities, we note the Fire District’s sole public safety activity:

Public Safety 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 Year Ended December 31, 2011 and for the period from inception July 1, 2010 to
 December 31, 2010
 Unaudited

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 one category: governmental.

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 assets for 2011 compared to 2010 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2011	2010
Assets		
Cash and Cash Equivalents	\$85,738	\$72,872
Total Assets	\$85,738	\$72,872
Net Assets		
Unrestricted	85,738	72,872
Total Net Assets	\$85,738	\$72,872

Northfield Center – Sagamore Hills Fire District
Management’s Discussion and Analysis
For the Year Ended December 31, 2011 and for the period from inception July 1, 2010 to
December 31, 2010
Unaudited

As mentioned previously, net assets of governmental activities increased \$12,866 or 17 percent during 2011. The primary reasons contributing to the increases in cash balances are as follows:

- Fees for hydrant inspections were not completely offset by related disbursements

Table 2 reflects the changes in net assets on a cash basis in 2011 and for the period from inception July 1, 2010 to December 31, 2010 for governmental activities.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2011	2010
Receipts:		
Program Receipts:		
Charges for Services	\$259,650	\$44,722
Operating Grants	7,845	0
Total Program Receipts	<u>267,495</u>	<u>44,722</u>
General Receipts:		
Contributions to expense sharing	585,623	352,565
Fees and Other	30,564	27,297
Earnings on account	0	4
Total General Receipts	<u>616,187</u>	<u>379,866</u>
Total Receipts	<u>883,682</u>	<u>424,588</u>
Disbursements:		
Public Safety	<u>870,816</u>	<u>351,716</u>
Total Disbursements	<u>870,816</u>	<u>351,716</u>
Increase in Net Assets	12,866	72,872
Net Assets, Beginning of period	<u>72,872</u>	<u>0</u>
Net Assets, End of period	<u>\$85,738</u>	<u>\$72,872</u>

Northfield Center – Sagamore Hills Fire District
 Management’s Discussion and Analysis
 For the Year Ended December 31, 2011 and for the period from inception July 1, 2010 to
 December 31, 2010
 Unaudited

Program receipts represent 30 and 11 percent of total receipts for 2011 and for the period from inception July 1, 2010 to December 31, 2010 and are primarily comprised of charges for services (EMS services).

General receipts represent 70 and 89 percent of the Fire District’s 2011 and for the period from July 1, 2010 to December 31, 2010 total receipts, and of this amount, over 95 and 92 percent are 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 very insignificant.

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.

Fire District Activity

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 two columns 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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General Government				
Public Safety	\$870,816	\$606,321	\$351,716	\$306,994
Total	\$870,816	\$606,321	\$351,716	\$306,994

Northfield Center – Sagamore Hills Fire District
Management’s Discussion and Analysis
For the Year Ended December 31, 2011 and for the period from inception July 1, 2010 to
December 31, 2010
Unaudited

The dependence upon contributions to expense sharing and fees and other is apparent as over 70 and 87 percent of governmental activities for 2011 and for the period from inception July 1, 2010 to December 31, 2010 are supported through these general receipts.

The Fire District’s Funds

Total governmental funds had receipts of \$883,682 and \$424,588 for 2011 and for the period from inception July 1, 2010 to December 31, 2010 and disbursements of \$870,816 and \$351,716 for 2011 and the 2010 period. The fund balance of the General Fund increased \$12,866 in 2011 as the result of fees for hydrant inspections that were not completely offset by related expenses.

General Fund Budgeting Highlights

The 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 most significant budgeted fund is the General Fund.

During 2011 and 2010, the 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 not significant as of December 31, 2010. Final budgeted receipts were higher than actual receipts as of December 31, 2011 due mainly to contributions from Northfield Center Township and Sagamore Hills Township were budgeted higher than amounts actually received.

Final disbursements were budgeted at \$1,204,354 and \$1,717,100 while actual disbursements were \$870,816 and \$351,716 as of December 31, 2011 and 2010, respectively. Although receipts failed to live up to expectations, appropriations were not reduced. The District kept spending to a minimum even though higher amounts were budgeted. The result is the increase in fund balance of \$12,866 and \$72,872 for 2011 and 2010, respectively.

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 Assets - Cash Basis
December, 31, 2011 and 2010

	2011	2010
Assets		
Equity in Pooled Cash and Cash Equivalents	\$85,738	\$72,872
Net Assets		
Unrestricted	85,738	72,872
Total Net Assets	<u>\$85,738</u>	<u>\$72,872</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, 2011

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities				
Current:				
Public Safety	\$870,816	\$259,650	\$7,845	(\$603,321)
		General Receipts		
		Contributions to Expense Sharing		585,623
		Fees and Other		30,564
		Total General Receipts		<u>616,187</u>
		Change in Net Assets		12,866
		Net Assets Beginning of Year		<u>72,872</u>
		Net Assets End of Year		<u><u>\$85,738</u></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 Period From July 1, 2010 to December 31, 2010

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Net (Disbursements) Receipts
Governmental Activities			
Current:			
Public Safety	\$351,716	\$44,722	(\$306,994)
		General Receipts	
		Contributions to Expense Sharing	352,565
		Fees and Other	27,297
		Earnings on account	4
		Total General Receipts	379,866
		Change in Net Assets	72,872
		Net Assets at Inception	0
		Net Assets End of Period	\$72,872

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, 2011 and 2010

	2011 General	2010 General
Assets		
Equity in Pooled Cash and Cash Equivalents	\$85,738	\$72,872
<i>Total Assets</i>	\$85,738	\$72,872
Fund Balances		
Unassigned	\$85,738	\$72,872
Total Fund Balances	\$85,738	\$72,872

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 Year Ended December 31, 2011 and For the Period From
July 1, 2010 to December 31, 2010

	2011 General	2010 General
Receipts		
Charges for Services	\$259,650	\$44,722
Grants	7,845	0
Fees and Other	30,564	27,297
Contributions to Expense Sharing	585,623	352,565
Earnings on Account	0	4
	<hr/>	<hr/>
Total Receipts	883,682	424,588
	<hr/>	<hr/>
Disbursements		
Current:		
Public Safety	870,816	351,716
	<hr/>	<hr/>
Total Disbursements	870,816	351,716
	<hr/>	<hr/>
Net Change in Fund Balances	12,866	72,872
Fund Balances at Inception and Beginning of Year	72,872	0
	<hr/>	<hr/>
Fund Balances End of Year	\$85,738	\$72,872
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See accompanying notes to the basic financial statements

NORTHFIELD CENTER - SAGAMORE HILLS FIRE DISTRICT

Summit County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

General Fund

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$180,000	\$180,000	\$259,650	\$79,650
Grants	-	-	7,845	7,845
Fees and Other	25,000	25,000	30,564	5,564
Contributions to Expense Sharing	999,354	999,354	585,623	(413,731)
<i>Total receipts</i>	<u>1,204,354</u>	<u>1,204,354</u>	<u>883,682</u>	<u>(320,672)</u>
Disbursements				
Current:				
Public Safety	1,204,354	1,204,354	870,816	333,538
<i>Total Disbursements</i>	<u>1,204,354</u>	<u>1,204,354</u>	<u>870,816</u>	<u>333,538</u>
<i>Excess of Receipts Over Disbursements</i>	<u>0</u>	<u>0</u>	<u>12,866</u>	<u>12,866</u>
<i>Fund Balance Beginning of Year</i>	<u>72,872</u>	<u>72,872</u>	<u>72,872</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$72,872</u>	<u>\$72,872</u>	<u>\$85,738</u>	<u>\$12,866</u>

See accompanying notes to the basic financial statements

NORTHFIELD CENTER - SAGAMORE HILLS FIRE DISTRICT

Summit County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

General Fund

For the Period from July 1, 2010 to December 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Charges for Services	\$0	\$0	\$44,722	\$44,722
Fees and Other	-	-	27,297	27,297
Contributions to Expense Sharing	446,593	446,593	352,565	(94,028)
Earnings on Investments	-	-	4	4
<i>Total receipts</i>	<u>446,593</u>	<u>446,593</u>	<u>424,588</u>	<u>(22,005)</u>
Disbursements				
Current:				
Public Safety	1,717,100	1,717,100	351,716	1,365,384
<i>Total Disbursements</i>	<u>1,717,100</u>	<u>1,717,100</u>	<u>351,716</u>	<u>1,365,384</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,270,507)</u>	<u>(1,270,507)</u>	<u>72,872</u>	<u>1,343,379</u>
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>(\$1,270,507)</u></u>	<u><u>(\$1,270,507)</u></u>	<u><u>\$72,872</u></u>	<u><u>\$1,343,379</u></u>

See accompanying notes to the basic financial statements

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Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

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 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 assets 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, 2011 and 2010

Government-Wide Financial Statements The statement of net assets 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 assets 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 ordinance.

The appropriations ordinance 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 ordinance is subject to amendment throughout the year.

Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

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, 2011 or 2010.

Inventory and Prepaid Items

The Fire District has no significant inventory or prepaid items at December 31, 2011 or 2010. 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, 2011 and 2010

Net Assets

Net assets 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 assets 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. It also includes the long-term amount of interfund loans.

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, 2011 and 2010

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 District has no encumbrances outstanding at year end.

Contrary to Ohio Rev. Code Section 5705.28(B)(2)(c), appropriations exceeded estimated revenue at December 31, 2010.

Contrary to Ohio Rev. Code Section 5705.36(A)(4), appropriations exceeded actual resources at December 31, 2011 and 2010.

Contrary to Ohio Rev. Code Section 5705.41(D), certain expenditures were not certified prior to incurring the obligation.

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;

Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

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;
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 \$93,448 and \$86,629 as of December 31, 2011 and 2010, respectively are fully insured by the Federal Deposit Insurance Corporation (FDIC).

Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

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 2011 and 2010, the Fire District contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
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

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 one full-time firefighter in 2010 and none in 2011. The majority of the firefighting force is part-time, such that only certain firefighters, the non-firefighting administrative staff and the 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.

Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

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 year ended December 31, 2011 and for the period from inception July 1, 2010 to December 31, 2010, 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 2011 and 2010, member and employer contribution rates were consistent across all three plans.

The Fire District's 2011 and 2010 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 5 percent from inception July 1, 2010 through December 31, 2010 and 6.05 percent in 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.23 percent from inception July 1, 2010 through December 31, 2010 and 4.0 percent for 2011. Employer contribution rates are actuarially determined.

The Fire District's required contributions for pension obligations to the Traditional Pension and Combined Plans for the year ended December 31, 2011 and for the period from inception July 1, 2010 to December 31, 2010 were \$9,379 and \$2,588, respectively; 100 percent has been contributed for 2011 and 2010.

Ohio Police and Fire Pension Fund

Plan Description – The Fire District contributed in 2010 to the Ohio Police and Fire Pension Fund (OP&F) due to the employment of one full-time firefighter. The Fire District did not employ any such full-time firefighters in 2011. OP&F is a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 24.0 percent for full-time firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 17.25 percent of covered payroll for full-time firefighters. The Fire District's contributions to OP&F for police and firefighters pension were \$4,685 for the period from August 1, 2010 to December 31, 2010. For 2010 100 percent has been contributed.

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, 2011, almost all part-time firefighters (two firefighters qualify for OPERS) of the Fire District are covered by the Social Security System. The contribution rate was 6.2 percent of wages paid from inception July 1, 2010 to December 31, 2010 and 4.2 percent of wages paid for 2011.

Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

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 2011 and 2010, 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 5 percent from inception July 1 through December 31, 2010 and 6.05 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.23 percent from inception July 1 through December 31, 2010 and 4.0 percent for 2011.

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.

Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

The Fire District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011 and for the period from inception July 1, 2010 to December 31, 2010 were \$4,053, and \$924, respectively; 100 percent has been contributed for 2011 and 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The Fire District contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 24.0 percent of covered payroll for fire employers. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Fire District's contributions to OP&F which were allocated to fund post-employment health care benefits for firefighters was \$1,335 for the period from inception July 1, 2010 to December 31, 2010. For 2010 100 percent has been contributed for full-time firefighters.

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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Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited the 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 year ended December 31, 2011 and for the period from July 1, 2010 to December 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. Except for a restriction on the scope of our audit related to emergency medical service fee charges for services revenue reported, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-05 described in the accompanying Schedule of Findings to be a material weakness.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 26, 2012.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

November 26, 2012

**NORTHFIELD CENTER SAGAMORE HILLS FIRE DISTRICT
SUMMIT COUNTY**

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

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

1. Appropriations Exceeding Estimated Resources

<i>Finding Number</i>	2011-01
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.28(B)(2)(c) requires that total appropriations from each fund of a taxing unit that does not levy a tax shall not exceed the total estimated revenue available for expenditures from the fund.

As of December 31, 2010, General Fund total appropriations of \$1,717,100 exceeded total estimated revenue of \$446,593 by \$1,270,507.

Official's Response: The Fire District has corrected the format of the annual budget to address this situation.

2. Expenditures Not Certified Prior to Incurring Obligation

<i>Finding Number</i>	2011-02
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NONCOMPLIANCE

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

<i>Finding Number</i>	2011-02 (Continued)
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Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2011 and 2010, 3 of 15 or 20% of expenditures tested and 2 of 11 or 18% expenditures tested during search for unrecorded encumbrances were not certified by the Fiscal Officer nor was evidence obtained the District issued Then and Now Certificates. Also, during 2011 and 2010, the District issued "blanket" certificates; however, District Trustees did not establish an amount by resolution or ordinance to limit the "blanket" certificate amount. The District should certify the availability of funds for expenditure and also could implement the use of Then and Now Certificates, Blanket Certificates and Super Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds for expenditure prior to commitment and also implement the use of Then and Now Certificates, Blanket Certificates and Super Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D). In addition, we recommend District Trustees establish a "blanket" certificate amount. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help assure that purchase commitments receive prior approval.

Official’s Response: The Fiscal Officer has updated disbursement procedures to address this situation.

3. Appropriations Exceeding Actual Resources

<i>Finding Number</i>	2011-03
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the county budget commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2011, appropriations of \$1,204,354 exceeded actual resources (i.e. beginning unencumbered fund balance plus actual receipts) of \$956,554 by \$247,800.

At December 31, 2010, appropriations of \$1,717,100 exceeded actual resources (i.e. beginning unencumbered fund balance plus actual receipts) of \$424,588 by \$1,292,512.

The District should frequently compare actual revenues to estimated revenues and obtain a reduced amended certificate, if necessary. Finally, the current level of appropriations should be reduced accordingly to prevent an over-appropriation of funds.

Official's Response: The Fire District has updated appropriation procedures to address this situation.

4. Tax Levy for Fire Protection

<i>Finding Number</i>	2011-04
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NONCOMPLIANCE

Ohio Rev. Code Section 505.371, indicates in part, the board of fire district trustees may exercise the same powers as are granted to a board of township trustees in sections 505.37 to 505.45 of the Revised Code, including, but not limited to, the power to levy a tax upon all taxable property in the fire district as provided in section 505.39 of the Revised Code. The District does not levy a tax. Both Northfield Center Township and Sagamore Hills Township levy separate fire protection taxes and these levies have been renewed since the creation of the District. The District bills each Township on a monthly basis for revenue to cover District expenditures.

As a separate body politic and corporate, the District should levy its own tax upon taxable property in the District.

We recommend the District levy its own tax upon taxable property in the District. The existing levies in both Northfield Center Township and Sagamore Hills Township should be canceled and any remaining tax levy funds at each Township should be transferred to the District.

Official's Response: The Fire District could levy its own tax in the future but has been advised that the current operation is proper and legal.

5. **Service Organization - EMS Billing**

<i>Finding Number</i>	2011-05
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MATERIAL WEAKNESS

The Fire District has delegated emergency medical service fee processing and billing, which is a significant accounting function, to North Coast Physicians, (the service organization), a third party administrator for the period of July 1, 2010 to September 30, 2011. The Fire District has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that emergency medical service fees have not been authorized or completely and accurately processed in accordance with the contract. Therefore, we were unable to satisfy ourselves as to the proper processing of emergency medical services fees which represent 29% and 10% of revenues reported for the year ended December 31, 2011 and for the period July 1, 2010 to December 31, 2010, respectively.

The District has implemented procedures to assist in the completeness and accuracy of billings and collections; however, these procedures do not provide evidence of the control procedures performed by the service organization.

In order to reasonably ensure the completeness and accuracy of EMS billing and collections processed by the service organization, a Statement on Standards for Attestation 16 (SSAE 16) Service Organization Controls report (SOC 1) report which prescribes testing and reporting standards for audits of EMS billing processing controls in place at the service organization should be provided. Thus, the Fire District should obtain an "Independent Service Auditor's Report on Management's Description of a Service Organization's System and the Suitability of the Design and Operating Effectiveness of Controls" from the service organization. Such a report, if unqualified, would help provide evidence to the Fire District's management that EMS billing and collections are being processed in conformance with the Fire District's policies. If the third-party administrator refuses to furnish the Fire District with a SOC 1 report, we recommend the Fire District contract with a third-party administrator that will provide this report. As an alternative to a SOC 1 Report, the Fire District may monitor fees its administrator processes.

The Fire District can monitor these fees by obtaining reports of processed fees, selecting approved fees from the list, and then re-determining:

- The eligibility of the fee billed
- The eligibility of the service
- Whether the amount received was in accordance with the billing agreement, net of adjustments.

This monitoring normally requires assistance from someone with sufficient understanding of EMS billing.

Official's Response: The Fire District initially utilized a service organization that could not provide an SSAE16 report for 2010 or 2011. In 2011, the Fire District hired a service organization that will allow future compliance.



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
DECEMBER 13, 2012**