

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

**SUMMIT COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2016**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northfield Sagamore Hills Fire District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **FINDING FOR RECOVERY-PARTIALLY REPAID UNDER AUDIT**

**Ohio Rev. Code § 117.28** requires the Auditor of State to issue a finding for recovery when “an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated...”

As the Northfield Sagamore Hills Fire District's (Fire District) fiscal officer, Rosemary Barrett used the Fire District's First Merit credit card issued in her name and Lowes credit card maintained by the Fire District to make purchases between January 1, 2012 and September 14, 2016 (the Period). Ms. Barrett was responsible for preparing disbursements and maintaining support for the Fire District expenditures. Ms. Barrett made payments for the Fire District's credit card charges electronically through the Fire District's bank account.

During the Period, Ms. Barrett charged \$12,048 for personal or other non-Fire District related transactions. We also identified \$10,639 charged to the Fire District's credit cards that was not supported by documentation. Due to the lack of documentation, we were unable to determine whether the expenditures were for purposes related to the Fire District. Items charged included purchases for food, equipment, vegetable plants, flowers, garden supplies, and other miscellaneous expenses. The Fire District paid these charges. In addition, we identified \$1,952 in late charges and finance fees paid by the Fire District on credit card purchases made during the Period. Timely payment of Fire District bills was the responsibility of the fiscal officer, Ms. Barrett, during the Period.

Board of Trustees  
Northfield Sagamore Hills Fire District  
60 West Aurora Road  
Northfield Center, OH 44067  
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In accordance with the foregoing facts and pursuant to the Ohio Revised Code Section 117.28, a finding for recovery for public property converted or misappropriated is hereby issued in the amount of \$22,687 and a finding for recovery for public money illegal expended is hereby issued in the amount of \$1,952 against Rosemary Barrett in favor of the Northfield Sagamore Hills Fire District. Additionally, Ms. Barrett's bonding company, The Cincinnati Insurance Company, is jointly and severally liable in the amount of \$16,981, covering the period December 5, 2012 through December 31, 2016, the period of time covered by the bond, and in favor of the Northfield Sagamore Hills Fire District.

On January 8, 2018, Ms. Barrett pled guilty to a fourth degree felony charge of theft in office. Ms. Barrett was ordered to make restitution, totaling \$10,172, to the Fire District. As of November 5, 2018, Ms. Barrett has repaid \$3,234.

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 Sagamore Hills Fire District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 3, 2018

***NORTHFIELD CENTER – SAGAMORE HILLS FIRE DISTRICT***  
**SUMMIT COUNTY, OHIO**  
**Audit Report**  
**For the Year Ended December 31, 2016**

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

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## **INDEPENDENT AUDITOR'S REPORT**

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 cash-basis financial statements of the governmental activities and the major fund of the Northfield Center - Sagamore Hills Fire District, Summit County, Ohio (the District) as of and for the year ended December 31, 2016, 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 express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 1 and Note 10 of the financial statements, as of September 15, 2016, the District has ceased operations. We did not modify our opinion regarding this matter.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis on pages 3–8, which are the responsibility of management, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2018, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on 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.*  
March 25, 2018



Northfield Center – Sagamore Hills Fire District  
Management’s Discussion and Analysis  
For the Year Ended December 31, 2016  
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 year ended December 31, 2016, 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. The Fire District ceased operations on September 15, 2016.

**Highlights**

Key highlights for 2016 are as follows:

Net position of governmental activities decreased \$48,786, or 56 percent, from 2015 to 2016.

The Fire District’s general receipts are primarily contributions to expense sharing and fees. These receipts represent 57 percent of the total cash received for public safety activities during 2016.

**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 Year Ended December 31, 2016  
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 2016, 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 recipients 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 Year Ended December 31, 2016  
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 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 Fire District’s net position for 2016 compared to 2015 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Cash and Cash Equivalents	\$38,289	\$87,075
 Total Assets	<b>\$38,289</b>	<b>\$87,075</b>
 <b>Net Position</b>		
Unrestricted	38,289	87,075
Total Net Position	<b>\$38,289</b>	<b>\$87,075</b>

As mentioned previously, net position of governmental activities decreased \$48,786 or 56 percent during 2016. The primary reasons contributing to the decreases in cash balances are as follows:

- The Fire District ceased operations on September 15, 2016.
- One community discontinued contributions to expense sharing and fees in April 2016.

Northfield Center – Sagamore Hills Fire District  
Management’s Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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Table 2 reflects the changes in net position on a cash basis in 2016 and 2015 for governmental activities.

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

	Governmental	
	Activities	
	2016	2015
Receipts:		
Program Receipts:		
Charges for Services	\$257,091	\$266,377
Operating Grants	0	26,330
Total Program Receipts	<u>257,091</u>	<u>292,707</u>
General Receipts:		
Contributions to expense sharing	368,511	625,099
Fees and Other	25,282	45,207
Total General Receipts	<u>393,793</u>	<u>670,306</u>
Total Receipts	<u>650,884</u>	<u>963,013</u>
Disbursements:		
Public Safety	<u>699,670</u>	<u>968,235</u>
Total Disbursements	<u>699,670</u>	<u>968,235</u>
Increase in Net Position	(48,786)	(5,222)
Net Position, Beginning of period	<u>87,075</u>	<u>92,297</u>
Net Position, End of period	<u><u>\$38,289</u></u>	<u><u>\$87,075</u></u>

Program receipts represent 43 percent of total receipts for 2016 and are primarily comprised of charges for services (EMS services).

General receipts represent 57 percent of the Fire District’s 2016 total receipts, with 94 percent comprised of contributions to expense sharing by the two townships participating in the Fire District.

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 Year Ended December 31, 2016  
 Unaudited

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**Fire District Activity**

The Statement of Activities on page 10, documents 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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
General Government				
Public Safety	\$699,670	(\$442,579)	\$968,235	(\$701,858)
<b>Total</b>	<b>\$699,670</b>	<b>(\$442,579)</b>	<b>\$968,235</b>	<b>(\$701,858)</b>

The intentional dependence upon contributions to expense sharing and fees and other is apparent as over 57 percent of governmental activities for 2016 are supported through these general receipts.

**The Fire District’s Funds**

Total governmental funds had receipts of \$650,884 and disbursements of \$699,670. The fund balance of the General Fund decreased \$48,786 as the result of the Fire District ceasing operations on September 15, 2016 and one community discontinuing contributions to expense sharing and fees in April, 2016.

**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 2016, the District did not amend its General Fund budget. Final budgeted receipts were the same as original budgeted receipts. The difference between final budgeted receipts and actual receipts was significant as of December 31, 2016 and was a result of the Fire District ceasing operations as of September 15, 2016.

Northfield Center – Sagamore Hills Fire District  
Management’s Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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Final disbursements were budgeted at \$1,441,093 while actual disbursements were \$699,670 as of December 31, 2016. Although receipts were not received as expected, appropriations were not reduced. The District kept spending to a minimum even though higher amounts were budgeted. The result is the decrease in fund balance of \$48,786.

**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 Custodian of Records, Northfield Center Township, former Northfield Center – Sagamore Hills Fire District, 9546 Brandywine Road, Northfield Center, Ohio 44067.

**Northfield Center - Sagamore Hills Fire District**  
Summit County, Ohio  
Statement of Net Position - Cash Basis  
December 31, 2016

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**Assets**

Equity in Pooled Cash and  
Cash Equivalents

\$38,289

**Net Position**

Unrestricted

38,289

Total Net Position

\$38,289

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, 2016

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Total</u>
<b>Governmental Activities</b>			
Current:			
Public Safety	\$699,670	\$257,091	(\$442,579)
		General Receipts	
		Contributions to Expense Sharing	368,511
		Fees and Other	25,282
		Total General Receipts	<u>393,793</u>
		Change in Net Position	(48,786)
		Net Position Beginning of Year	<u>87,075</u>
		Net Position End of Year	<u><u>\$38,289</u></u>

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  
Governmental Funds  
December 31, 2016

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	<u>General</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$38,289</u>
Total Assets	<u><u>\$38,289</u></u>
<b>Fund Balances</b>	
Unassigned	<u>\$38,289</u>
Total Fund Balances	<u><u>\$38,289</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 - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2016

	General
<b>Receipts</b>	
Charges for Services	\$257,091
Fees and Other	25,282
Contributions to Expense Sharing	368,511
	650,884
<b>Disbursements</b>	
Current:	
Public Safety	699,670
	699,670
Net Change in Fund Balances	(48,786)
Fund Balances Beginning of Year	87,075
Fund Balances End of Year	\$38,289

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  
General Fund  
For the Year Ended December 31, 2016

	<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	\$290,000	\$290,000	\$257,091	(\$32,909)
Fees and Other	0	0	25,282	25,282
Contributions to Expense Sharing	1,151,093	1,151,093	368,511	(782,582)
<b>Total Receipts</b>	<u>1,441,093</u>	<u>1,441,093</u>	<u>650,884</u>	<u>(790,209)</u>
<b>Disbursements</b>				
Current:				
Public Safety	1,441,093	1,441,093	699,670	741,423
<b>Total Disbursements</b>	<u>1,441,093</u>	<u>1,441,093</u>	<u>699,670</u>	<u>741,423</u>
Excess of Receipts Over Disbursements	<u>0</u>	<u>0</u>	<u>(48,786)</u>	<u>(48,786)</u>
Fund Balance Beginning of Year	<u>87,075</u>	<u>87,075</u>	<u>87,075</u>	<u>0</u>
Fund Balance End of Year	<u>\$87,075</u>	<u>\$87,075</u>	<u>\$38,289</u>	<u>(\$48,786)</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, 2016

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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 Fire District ceased operations on September 15, 2016 with remaining expenses and collection of fees assumed by Northfield Center Township. In addition, all existing equipment and vehicles of the Fire District were divided between Northfield Center and Sagamore Hills Townships at September 15, 2016.

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.

## Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

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### **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.

**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.

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

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

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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.

### **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, 2016.

### **Inventory and Prepaid Items**

The Fire District has no significant inventory or prepaid items at December 31, 2016. 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.

## Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

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### Long-Term Obligations

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

### Net Position

Net position is 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.

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

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

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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.

### **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 2016.

### **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;



## Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

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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 balance of \$47,974 December 31, 2016 is 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, 2016

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**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 2016, 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

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. The Fire District also pays Unemployment Compensation when benefits are paid and charged to employer. In late 2016 an unemployment claim was made and paid and The District was charged. It is expected that payment on this claim will continue into 2017 and will be assumed by Northfield Center Township until completed.

**Note 6 – Defined Benefit Pension Plan**

**Ohio Public Employees Retirement System**

Plan Description – The Fire District employed no full-time firefighters in 2016. 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Fire District's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2016 and 2015 were \$3,416, and \$5,801, respectively; 100 percent has been contributed for each year.

**Social Security System**

Effective May 1, 1997, all volunteer/part-time firefighters not otherwise covered by OPERS were covered by the Social Security System. The contribution rate was 6.2 percent of wages paid for 2016.

**Note 7 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

Plan Description - The 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

## Northfield Center – Sagamore Hills Fire District

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

**Northfield Center – Sagamore Hills Fire District**

Summit County, Ohio

Notes to the Basic Financial Statements

December 31, 2016

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The Fire District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016 and 2015 were \$488 and \$1,173, respectively; 100 percent has been contributed for each year.

**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. The lease expired in 2016 when the Fire District ceased operations on September 15, 2016.

**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.

**Note 10 – Subsequent Events**

As noted in Note 1, the Fire District ceased operations on September 15, 2016. Pursuant to their agreement, the final distribution of expenses and income was based upon the tax duplicate of 64.78% for Sagamore Hills Township and 35.22% for Northfield Center Township. All of the 2016 financial activity is included in these financial statements. During 2017, revenues and expenses continued flow through the District's bank account. Deposits of \$27,967 and payments \$74,253 were made from the account. This activity reduced the bank balance from \$47,974 to \$1,688, and the book balance from \$38,289 to \$2,864, which includes activities for reconciling items and outstanding checks. The deposits were related to services provided in 2016 or earlier still being remitted to the District. The payments included two large disbursements to Northfield Center Township per 2017 agreement between Northfield Center Township and Sagamore Hills Township, a payment to the Ohio Department of Job and Family Services, bank fees, and disbursements for legal services, as well as a payment to the former fire chief for overtime worked in prior years. Activity continued into 2018, with 2 small deposits and 2 bank fees resulting in a bank balance \$1,722 and a book balance of \$2,898, as of the end of February 2018, which includes activities for reconciling items and outstanding checks.

INDEPENDENT AUDITOR'S 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 the Northfield Center - Sagamore Hills Fire District, Summit County, (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and the District ceased operations as of September 15, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 and 2016-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 25, 2018.

### ***District's Responses to Findings***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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.***  
March 25, 2018



NORTHFIELD CENTER – SAGAMORE HILLS FIRE DISTRICT  
SUMMIT COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**Finding Number 2016-001 – Material Weakness and Noncompliance**

**Segregation of Duties**

1982 Op. Atty. Gen No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. Permissible expenditures further a public purpose, even if an incidental private end is advanced.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specially, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only." 1982 Op. Atty. Gen. No. 82-006.

The lack of proper internal controls over the approval of expenditures and the lack of internal controls permitted the chief of the district to authorize a credit card that resulted in activity of \$10,172 that was determined to be not for a proper public purpose by the Summit County Court of Common Pleas. The Court accepted the guilty plea of the former Fiscal Officer of the District to charges related to such fraudulent activity. As a condition of her conviction, she is required to make full and complete restitution to the District in the amount of \$10,172. The information related to the plea has been forwarded to the Auditor of State for further consideration.

**Management Response:**

See Corrective Action Plan

**Finding Number 2016-002 – Material Weakness and Noncompliance**

**Lack of Supporting Documentation**

Ohio Rev. Code § 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under rules adopted by the records commission provided under sections 149.38 to 149.42 of the Revised Code.

During the period January 1, 2016 to December 31, 2017, the District failed to maintain certain records that would provide support for expenditures and other activities of the District. The District was unable to produce several invoices, numerous purchase orders, pension reports, quarterly 941 reports, and some Board meeting minutes, which were the handwritten notes of the former Fiscal Officer.

NORTHFIELD CENTER – SAGAMORE HILLS FIRE DISTRICT  
SUMMIT COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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**Finding Number 2016-002 – Material Weakness and Noncompliance – (continued)**

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the District’s finances. We performed alternative procedures to verify the accuracy of these expenditures. Further, the lack of other documents, such as pension or income tax reports, created difficulties in auditing the accounting for taxes and retirement contributions. Alternative procedures were also performed to verify this information.

We recommend the District implement procedures to help ensure that all supporting documentation and records of the public office be maintained in accordance with the records retention requirements discussed above.

**Management Response:**

See Corrective Action Plan

**Finding Number 2016-003 – Material Weakness**

**Bank Reconciliations**

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. The reconciliation of the District’s bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the District. As part of the bank reconciliation, all differences between the balance appearing on the financial statements and the balance of cash according to the District’s records should be accounted for.

While the District’s bank accounts and fund balances were reconciled during fiscal year 2016, the final bank reconciliation as of December 31, 2016 included several adjustments that were unexplained and unverifiable in the net amount of \$2,791. During 2017 and 2018, no bank to book reconciliations were performed.

We recommend the District implement procedures to help ensure that bank statements are reconciled to the District’s books in a timely manner for the remaining activity of the District. We further recommend the bank reconciliations be presented to the Finance Committee or other appropriate entity for approval on a monthly basis within the minute records. All reconciling amounts should be easily identifiable and explained.

**Management Response:**

See Corrective Action Plan

NORTHFIELD CENTER – SAGAMORE HILLS FIRE DISTRICT  
SUMMIT COUNTY

CORRECTIVE ACTION PLAN  
December 31, 2016

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The District is no longer in existence. All operations ceased on September 15, 2016. Public records and documentation were responsibility of Fiscal Officer and Fire Chief. Management representative fully assisted auditor’s efforts to find and verify all available records and use alternate procedures related to each item that could not be found.	Immediately	Jeff Snell, Fire District Attorney
2016-002	The District is no longer in existence. All operations ceased on September 15, 2016. Public records and documentation were responsibility of Fiscal Officer and Fire Chief. Management representative fully assisted auditor’s efforts to find and verify all available records and use alternate procedures related to each item that could not be found.	Immediately	Jeff Snell, Fire District Attorney
2016-003	The District is no longer in existence. All operations ceased on September 15, 2016. Public records and documentation were responsibility of Fiscal Officer and Fire Chief. Management representative fully assisted auditor’s efforts to find and verify all available records and use alternate procedures related to each item that could not be found.	Immediately	Jeff Snell, Fire District Attorney

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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  
DECEMBER 13, 2018**