



Dave Yost • Auditor of State

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

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Dave Yost • Auditor of State

Sagamore Hills Township
Summit County
11551 Valley View Road
Sagamore Hills, Ohio 44067-1099

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

August 29, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sagamore Hills Township
Summit County
11551 Valley View Road
Sagamore Hills, Ohio 44067-1099

To the Board of Trustees:

We have audited the accompanying financial statements of Sagamore Hills Township, Summit County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Sagamore Hills Township, Summit County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, the Township restated its January 1, 2010 governmental fund balance due to change in fund structure as a result of implementing the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In addition as describe in Note 2, the Township restated its governmental fund balance due to the improper reporting in the prior year of the Power Our Community Grant.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.



Dave Yost
Auditor of State

August 29, 2012

SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 461,092	\$ 1,970,375	\$ 2,431,467
Charges for Services	3,310	5,409	8,719
Licenses, Permits and Fees	21,691	11,773	33,464
Intergovernmental	408,803	614,971	1,023,774
Earnings on Investments	7,362	531	7,893
Miscellaneous	6,671	25	6,696
<i>Total Cash Receipts</i>	<u>908,929</u>	<u>2,603,084</u>	<u>3,512,013</u>
Cash Disbursements			
Current:			
General Government	470,814	-	470,814
Public Safety	1,332	2,224,542	2,225,874
Public Works	10,346	831,623	841,969
Health	120,899	-	120,899
Conservation-Recreation	35,808	-	35,808
Capital Outlay	13,462	144,975	158,437
Debt Service:			
Principal Retirement	-	7,750	7,750
<i>Total Cash Disbursements</i>	<u>652,661</u>	<u>3,208,890</u>	<u>3,861,551</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>256,268</u>	<u>(605,806)</u>	<u>(349,538)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	-	5,000	5,000
Transfers In	-	364,578	364,578
Transfers Out	(364,578)	-	(364,578)
Other Financing Uses	-	(1,916)	(1,916)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(364,578)</u>	<u>367,662</u>	<u>3,084</u>
<i>Net Change in Fund Cash Balances</i>	<u>(108,310)</u>	<u>(238,144)</u>	<u>(346,454)</u>
<i>Fund Cash Balances, January 1</i>	<u>3,875,567</u>	<u>1,474,972</u>	<u>5,350,539</u>
Fund Cash Balances, December 31			
Restricted	-	1,236,828	1,236,828
Unassigned	3,767,257	-	3,767,257
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,767,257</u>	<u>\$ 1,236,828</u>	<u>\$ 5,004,085</u>

The notes to the financial statements are an integral part of this statement.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 465,834	\$ 1,987,366	\$ 2,453,200
Charges for Services	7,282	183,512	190,794
Licenses, Permits and Fees	4,545	-	4,545
Fines and Forfeitures	-	300	300
Intergovernmental	646,050	641,603	1,287,653
Earnings on Investments	7,136	521	7,657
Miscellaneous	19,399	3,884	23,283
<i>Total Cash Receipts</i>	<u>1,150,246</u>	<u>2,817,186</u>	<u>3,967,432</u>
Cash Disbursements			
Current:			
General Government	467,537	-	467,537
Public Safety	128,001	1,447,200	1,575,201
Public Works	45,224	654,963	700,187
Health	133,555	-	133,555
Contract Services	-	776,713	776,713
Conservation-Recreation	9,741	-	9,741
Other	202	2,969	3,171
Supplies and Materials	-	133,783	133,783
Capital Outlay	15,530	100,377	115,907
Debt Service:	-	-	-
Principal Retirement	-	3,875	3,875
<i>Total Cash Disbursements</i>	<u>799,790</u>	<u>3,119,880</u>	<u>3,919,670</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>350,456</u>	<u>(302,694)</u>	<u>47,762</u>
Other Financing Receipts (Disbursements)			
Transfers In	5,015	-	5,015
Transfers Out	-	(5,015)	(5,015)
Other Financing Sources	120	-	120
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,135</u>	<u>(5,015)</u>	<u>120</u>
<i>Net Change in Fund Cash Balances</i>	355,591	(307,709)	47,882
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>3,524,991</u>	<u>1,777,666</u>	<u>5,302,657</u>
Fund Cash Balances, December 31			
Restricted	-	1,469,957	1,469,957
Unassigned	3,880,582	-	3,880,582
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,880,582</u>	<u>\$ 1,469,957</u>	<u>\$ 5,350,539</u>

The notes to the financial statements are an integral part of this statement.

SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - AGENCY FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Cash Receipts		
Total Operating Cash Receipts	\$ -	\$ -
Fund Cash Balances, January 1	<u>75,023</u>	<u>75,023</u>
Fund Cash Balances, December 31	<u>\$ 75,023</u>	<u>\$ 75,023</u>

The notes to the financial statements are an integral part of this statement.

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**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sagamore Hills Township, Summit County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, rubbish removal, park maintenance, and police protection. Beginning in 2010, the Township contracts with the Northfield Center–Sagamore Hills Joint Fire District to provide fire services and emergency medical services.

The Township participates in four jointly governed organizations. Note 10 to the financial statements provides additional information for these entities. These organizations are:

- ***North Hills Water District*** – Established to provide for the construction and maintenance of water transmission lines to residents of Northfield Center Township and Sagamore Hills Township.
- ***Summit County Regional Planning Commission*** – Established to advise municipalities and local governments in Summit County on planning, development, and zoning issues.
- ***Cuyahoga Valley Regional Council of Governments*** – Established among municipalities, townships, school districts, and park systems located in the Cuyahoga Valley to facilitate communication between the parks and local governments concerning zoning and other land issues.
- ***Northfield Center-Sagamore Hills Joint Fire District*** – Established to provide fire services and emergency medical services to Northfield Center Township and Sagamore Hills Township.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Deposits and Investments (Continued)

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The Township's investment in Certificates of Deposit and an overnight repurchase agreement are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax and intergovernmental revenue money for constructing, maintaining, and repairing Township roads and bridges.

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

Police Special Levy Fund – This fund receives property tax and intergovernmental revenue money to maintain the police department.

3. Fiduciary Fund

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for faithful performance cash deposit bonds paid by contractors.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *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.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

The Township 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.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Change in Accounting Principle and Restatement of Fund Cash Balance

For fiscal year 2010, the Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. In addition, the Township restated its governmental fund balance due to the improper reporting in the prior year of the Power Our Community Grant. These had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2009	GASB 54 Change in Fund Structure	Power Our Community Grant	Adjusted Fund Balance at December 31, 2009
General	\$ 3,317,754	\$92,659	\$114,578	\$ 3,524,991
Special Revenue	<u>1,984,903</u>	<u>(92,659)</u>	<u>(114,578)</u>	<u>1,777,666</u>
Total	<u>\$5,302,657</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,302,657</u>

3. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$ (370,892)	\$ (44,438)
Certificates of deposit	1,200,000	1,200,000
Total deposits	<u>829,108</u>	<u>1,155,562</u>
STAR Ohio	500,000	500,000
Repurchase agreement	<u>3,750,000</u>	<u>3,770,000</u>
Total investments	<u>4,250,000</u>	<u>4,270,000</u>
Total deposits and investments	<u><u>\$ 5,079,108</u></u>	<u><u>\$ 5,425,562</u></u>

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

The negative demand deposits are covered by resources that are available by the overnight repurchase agreement.

Investments:

The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

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

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,382,965	\$ 908,929	\$ (474,036)
Special Revenue	2,637,087	2,972,662	335,575
Total	\$ 4,020,052	\$ 3,881,591	\$ (138,461)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,505,285	\$ 1,017,239	\$ 1,488,046
Special Revenue	3,792,766	3,210,806	581,960
Total	\$ 6,298,051	\$ 4,228,045	\$ 2,070,006

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,400,565	\$ 1,155,381	\$ (245,184)
Special Revenue	2,596,174	2,817,186	221,012
Total	\$ 3,996,739	\$ 3,972,567	\$ (24,172)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,216,749	\$ 799,790	\$ 1,416,959
Special Revenue	4,060,550	3,124,895	935,655
Total	\$ 6,277,299	\$ 3,924,685	\$ 2,352,614

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Property Tax (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 139,500	0%

During 2009 the Township received loan proceeds of \$155,000 from the Ohio Public Works Commission (OPWC) to finance road construction projects. This is an interest free loan requiring semi-annual payments of \$3,875 beginning January 1, 2010 and ending July 1, 2029.

Amortization of the above debt, is scheduled as follows:

Year ending December 31:	OPWC Loan
2012	\$ 7,750
2013	7,750
2014	7,750
2015	7,750
2016	7,750
2017 - 2021	38,750
2022 - 2026	38,750
2027 - 2029	23,250
Total	\$ 139,500

7. Retirement Systems

The Township's employees, including police officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management

The Township has obtained commercial insurance for the following risks:

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

There were no significant reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

9. Related Party Transactions

A Township Trustee is the parent of an individual who provided legal counsel to the Township during both 2010 and 2011. The Township paid \$37,650 in 2010 and \$42,627 in 2011 for these services.

10. Jointly Governed Organizations

The North Hills Water District (the District) is a jointly governed organization established to provide for the construction and maintenance of water transmission lines to residents of Northfield Center Township and Sagamore Hills Township. The seven member Board consists of three members appointed by each Township with one member appointed alternately by the Townships. The District's Board exercises total control over District operations, including budgeting, appropriating, contracting and hiring personnel. All of the District's revenues are derived from property taxes assessed on the property of Township residents. The City of Cleveland provides water service to the residents and bills them for the water service. Financial information can be obtained by writing to the North Hills Water District, 253 West Aurora Road, Northfield Center, Ohio 44067

The Summit County Regional Planning Commission (the Commission) is a statutorily created political subdivision of Ohio. The commission is jointly governed among municipalities and townships located in Summit County. Each member's control over the operation of the Commission is limited to its representation on the Board which consists of 48 members. The Board exercises total control over the Commission's operations.

The Cuyahoga Valley Regional Council of Governments (the Council) is a statutorily created political subdivision of Ohio. The Council is jointly governed among municipalities, townships, school districts, and park systems located in the Cuyahoga Valley. Each member's control over the operation of the Council is limited to its representation on the Board which consists of 34 members. The Board exercises total control over the Council's operations.

The Northfield Center–Sagamore Hills Joint Fire District (the District) is a jointly governed organization established to provide fire protection and emergency medical services to residents of Northfield Center Township and Sagamore Hills Township. The six member Board consists of the three Trustees of Northfield Center Township and the three Trustees of Sagamore Hills Township. An individual appointed by the Board is in charge of the day to day operations of the District in conjunction with the Fire Chief. The District is funded by Sagamore Hills Township and Northfield Center Township; each contributing their proportional share of actual costs based on the then current tax duplicate as of January 1st of each year. Financial information can be obtained by writing to the Northfield Center – Sagamore Hills Fire District, 60 West Aurora Road, Northfield Center, Ohio 44067.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

11. Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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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

Sagamore Hills Township
Summit County
11551 Valley View Road
Sagamore Hills, Ohio 44067-1099

To the Board of Trustees:

We have audited the financial statements of Sagamore Hills Township, Summit County, (the Township) as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated August 29, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and wherein we noted the Township restated its governmental fund balance due to change in fund structure as a result of implementing the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and due to reclassifying the Power Our Community Grant Fund. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 Township'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 Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-01 and 2011-02 to be significant deficiencies. 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.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 29, 2012.

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

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



Dave Yost
Auditor of State

August 29, 2012

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Significant Deficiency – Fund/Account System Coding

The Township's accounting system generates the Township's annual reports. However, because of the manner in which financial information is maintained in the system and/or compiled by the system, various adjustments and reclassifications are necessary in order for the proper presentation of the financial statements including the following:

- The Agency Fund is maintained in the system as a "Special Assessment" Governmental type fund.
- The Road and Bridge Fund balance is classified in the system as Committed rather than Restricted.
- The Park Fund is classified in the system as a Special Revenue Fund rather than part of the General Fund.
- The Park Fund balance is classified in the system as Committed rather than Unassigned.
- The Concession Stand Fund is classified in the system as a Special Revenue Fund rather than part of the General Fund.
- The Concession Stand Fund balance is classified in the system as Restricted rather than Unassigned.
- The Explorer Fund is classified in the system as a Special Revenue Fund rather than part of the General Fund.
- The Explorer Fund balance is classified in the system as Restricted rather than Unassigned.
- Although this fund has since been closed, the Power Our Community Fund was classified in the system as a Special Revenue Fund rather than part of the General Fund.

The financial statements were subsequently adjusted to reflect the activity.

In order to help ensure the Township's financial statements are complete and accurate, the Township should adopt policies and procedures including a final review of the statements by the Fiscal Officer and the Board, to identify and correct errors and omissions. The Fiscal Officer should also review the accounting system chart of accounts and the Township's Handbook chart of accounts to help ensure all accounts are being properly posted to the financial statements and adequate account classification exist. Additionally, the Fiscal Officer should review the system fund/account coding of this activity and perhaps consult with the accounting system software vendor to ensure all activity is compiled into the Township's annual report as intended.

Officials' Response: Adjustments to the new UAN computer system of accounts created with the assistance of the visiting audit assistant recommended by the Auditor of State will be adjusted as prescribed by the Township Handbook chart, the aforementioned listing as detailed by the Auditor of State's office and first-time guidelines of GASB 54 will help in more detailed reflection of funds.

FINDING NUMBER 2011-02

Significant Deficiency – Misclassification of Receipts

The Township had the following misclassifications of receipts:

2010

- Misclassifications of National Park Payments in Lieu of Taxes resulted in an overstatement of General Fund Property and Other Local Taxes and an understatement of Miscellaneous Receipts totaling \$2,551.
- Misclassifications of homestead and rollback receipts resulted in an overstatement of Special Revenue Fire/EMS Fund Charges for Services and an understatement of Intergovernmental Revenue totaling \$32,839.
- Misclassifications of property tax receipts resulted in an understatement of Special Revenue Fire/EMS Fund Property and Other Local Taxes and overstatement of Charges for Services totaling \$207,033.
- Misclassifications of Summit County Traffic Fine receipts resulted in an understatement of General Fund Intergovernmental Revenue and an overstatement of Fines & Forfeitures totaling \$5,389.
- Misclassifications of Public Utility Reimbursements resulted in an understatement of General Fund Intergovernmental Revenue and an overstatement Miscellaneous Receipts totaling \$6,074.
- Misclassifications of Public Utility Reimbursements resulted in an understatement of three Special Revenue Fund Intergovernmental Revenues and an overstatement of Miscellaneous Receipts totaling \$26,630 (Road & Bridge Fund of \$7,577, Park Levy Fund of \$2,006, and Police District Fund of \$17,047).
- Misclassifications of Ohio Public Works Commission funding resulted in an understatement of Special Revenue Road & Bridge Fund Intergovernmental Revenue and an overstatement of Other Miscellaneous Receipts totaling \$112,873.
- Misclassifications of Law Enforcement Education Funding and Drug Fines from the County resulted in an understatement of two Special Revenue Funds Intergovernmental Revenues and an overstatement of Miscellaneous Receipts totaling \$530 (Law Enforcement Education Fund of \$200 and Policy Fund of \$31,767).
- Misclassifications of a Summit/Akron Solid Waste Management Authority grant resulted in an understatement of General Fund Intergovernmental s and an overstatement of Miscellaneous Receipts totaling \$4,912.
- Misclassifications of Personal Property Reimbursements resulted in an understatement of Special Revenue Fund Intergovernmental Revenue and an overstatement of Miscellaneous Receipts totaling \$5,806.
- Misclassifications of Wireless 911 funding resulted in an understatement of Special Revenue Fund Intergovernmental Revenue and an overstatement of Miscellaneous Receipts totaling \$1,459.
- Misclassifications of Summit County Juvenile Diversion program funds resulted in an understatement of Special Revenue Fund Intergovernmental Revenue and an overstatement of Miscellaneous Receipts totaling \$7,125.

2011

- Misclassifications of estate tax and homestead & rollback receipts resulted in an overstatement in General Fund Property and Other Local Taxes and an understatement of Intergovernmental Revenue totaling \$74,586.

FINDING NUMBER 2011-02 (Continued)

Significant Deficiency – Misclassification of Receipts (Continued)

- Misclassifications of homestead and rollback receipts resulted in an overstatement of Special Revenue Fire/EMS Fund Charges for Services and an understatement of Special Revenue Fund Intergovernmental Revenue totaling \$33,090.
- Misclassifications of property tax receipts resulted in an understatement of Special Revenue Fire/EMS Fund Property and Other Local Taxes and overstatement of Charges for Services totaling \$203,468.
- Misclassifications of homestead and rollback receipts resulted in an overstatement of Special Revenue Police District Fund Property and Other Local Taxes and an understatement of the Intergovernmental Revenue totaling \$188,693.
- Misclassifications of homestead and rollback receipts resulted in an overstatement of Special Revenue Permissive MVL Fund Property and Other Local Taxes and an understatement of the Intergovernmental Revenue totaling \$26,983.
- Misclassification of receipts from the sale of a Township vehicle resulted in an overstatement of Special Revenue Police Fund Intergovernmental Revenue and an understatement of Other Financing Sources - Sale of Capital Assets totaling \$5,000.
- Misclassifications of drug fines and seizures from Summit County resulted in an understatement of Special Revenue Drug Law Enforcement Fund Intergovernmental Revenue and an overstatement of Fines and Forfeitures totaling \$1,290.
- Misclassifications of Summit County Juvenile Diversion program funds resulted in an understatement of Special Revenue Police Fund Intergovernmental Revenue and an overstatement of Licenses, Permits, and Fees totaling \$2,125.
- Misclassification of an insurance premium refund resulted in an overstatement of Special Revenue Fund Charges for Services Receipts and an understatement of Miscellaneous Receipts totaling \$1,409.
- Misclassification of National Park Payment in Lieu of Taxes receipts resulted in an overstatement of General Fund Intergovernmental Revenue and an understatement of Miscellaneous Receipts totaling \$2,572.

The financial statements were subsequently adjusted to properly report the activity.

Sound financial reporting is the responsibility of the Fiscal Officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure complete and accurate financial reporting, the Fiscal Officer should closely monitor all receipts to ensure amounts are posted to the proper accounts. In addition, the Fiscal Officer should refer to the Ohio Township Handbook to help ensure proper accounts are being used.

Officials' Response: All Sagamore Hills Township funds are reported and accounted for in the audit. In the future we will continue placing them in the correct overall accounts but reduce the sub-category fund accounts classification and follow the pattern set forth in this audit.

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**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.41(D) several expenditures tested had purchase orders dated after the invoice date and no "Then and Now" certification.	No	Comment will be repeated in the management letter
2009-002	Misclassifications of funds in the accounting system resulted in numerous required adjustments to accurately present the Township's financial activity.	No	Comment will be repeated as finding 2011-001

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Dave Yost • Auditor of State

SAGAMORE HILLS TOWNSHIP

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 13, 2012**