



Dave Yost • Auditor of State



**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - Agency Fund - For the Years Ended December 31, 2013 and 2012 .....	5
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings .....	18

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Sagamore Hills Township, Summit County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1.B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sagamore Hills Township, Summit County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.B.

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

In accordance with *Government Auditing Standards*, we have also issued our report date November 28, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 28, 2014

**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$428,871	\$2,359,735	\$0	\$2,788,606
Charges for Services	10	82	0	92
Licenses, Permits and Fees	11,968	6,493	0	18,461
Intergovernmental	554,284	511,000	157,686	1,222,970
Special Assessments	0	1,125	0	1,125
Earnings on Investments	5,101	258	0	5,359
Miscellaneous	12,356	2,550	0	14,906
<i>Total Cash Receipts</i>	<u>1,012,590</u>	<u>2,881,243</u>	<u>157,686</u>	<u>4,051,519</u>
<b>Cash Disbursements</b>				
Current:				
General Government	366,101	0	0	366,101
Public Safety	206,050	1,842,893	0	2,048,943
Public Works	9,684	714,689	0	724,373
Health	150,725	0	0	150,725
Conservation-Recreation	9,473	0	0	9,473
Capital Outlay	46,700	250,334	157,686	454,720
Debt Service:				
Principal Retirement	0	7,750	0	7,750
<i>Total Cash Disbursements</i>	<u>788,733</u>	<u>2,815,666</u>	<u>157,686</u>	<u>3,762,085</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>223,857</u>	<u>65,577</u>	<u>0</u>	<u>289,434</u>
<i>Net Change in Fund Cash Balances</i>	223,857	65,577	0	289,434
<i>Fund Cash Balances, January 1</i>	<u>3,754,516</u>	<u>1,274,419</u>	<u>0</u>	<u>5,028,935</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	1,339,996	0	1,339,996
Unassigned (Deficit)	<u>3,978,373</u>	<u>0</u>	<u>0</u>	<u>3,978,373</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,978,373</u></u>	<u><u>\$1,339,996</u></u>	<u><u>\$0</u></u>	<u><u>\$5,318,369</u></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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$419,969	\$1,967,273	\$0	\$2,387,242
Charges for Services	515	5,368	0	5,883
Licenses, Permits and Fees	31,328	2,032	0	33,360
Intergovernmental	511,828	947,965	348,305	1,808,098
Earnings on Investments	4,661	303	0	4,964
Miscellaneous	10,912	0	0	10,912
<i>Total Cash Receipts</i>	<u>979,213</u>	<u>2,922,941</u>	<u>348,305</u>	<u>4,250,459</u>
<b>Cash Disbursements</b>				
Current:				
General Government	390,422	0	0	390,422
Public Safety	183,754	1,673,787	0	1,857,541
Public Works	8,917	1,021,637	68,964	1,099,518
Health	152,265	0	0	152,265
Conservation-Recreation	13,471	0	0	13,471
Capital Outlay	33,125	392,176	279,341	704,642
Debt Service:				
Principal Retirement	0	7,750	0	7,750
<i>Total Cash Disbursements</i>	<u>781,954</u>	<u>3,095,350</u>	<u>348,305</u>	<u>4,225,609</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>197,259</u>	<u>(172,409)</u>	<u>0</u>	<u>24,850</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	11,978	210,000	0	221,978
Transfers Out	(221,978)	0	0	(221,978)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(210,000)</u>	<u>210,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(12,741)	37,591	0	24,850
<i>Fund Cash Balances, January 1</i>	<u>3,767,257</u>	<u>1,236,828</u>	<u>0</u>	<u>5,004,085</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	1,274,419	0	1,274,419
Unassigned (Deficit)	3,754,516	0	0	3,754,516
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,754,516</u></u>	<u><u>\$1,274,419</u></u>	<u><u>\$0</u></u>	<u><u>\$5,028,935</u></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 - AGENCY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Cash Receipts</b>		
<i>Total Operating Cash Receipts</i>	<u>\$0</u>	<u>\$0</u>
<i>Fund Cash Balances, January 1</i>	<u>75,023</u>	<u>75,023</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$75,023</u></u>	<u><u>\$75,023</u></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, 2013 AND 2012**

**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. 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 resident 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.

**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Police District Fund - This fund receives property tax and intergovernmental revenue money to maintain the police department.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

OPWC Holzhauser Road Fund - The Township received a grant from the Ohio Public Works Commission for road widening and repaving on Holzhauser Road.

OPWC Crystal Fund – The Township received a grant from the Ohio Public Works Commission to resurface Crystal Creek Road.

OPWC Springwood Fund – The Township received a grant from the Ohio Public Works Commission to resurface Springwood Road.

**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Fiduciary Funds**

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.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**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.

**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**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.

**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, 2013 AND 2012  
(Continued)**

**2. 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:

	2013	2012
Demand deposits	(\$226,610)	(\$141,042)
STAR Ohio	500,000	500,000
Repurchase agreement	5,120,000	4,745,000
Total investments	5,620,000	5,245,000
Total deposits and investments	\$5,393,390	\$5,103,958

**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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,104,515	\$1,012,590	(\$91,925)
Special Revenue	3,032,007	2,881,243	(150,764)
Capital Projects	157,686	157,686	0
Total	\$4,294,208	\$4,051,519	(\$242,689)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,411,458	\$794,933	\$1,616,525
Special Revenue	3,849,710	2,928,808	920,902
Capital Projects	157,686	157,686	0
Total	\$6,418,854	\$3,881,427	\$2,537,427

**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,013,316	\$991,191	(\$22,125)
Special Revenue	2,907,941	3,132,941	225,000
Capital Projects	295,688	348,305	52,617
Total	\$4,216,945	\$4,472,437	\$255,492

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,952,346	\$1,010,740	\$1,941,606
Special Revenue	3,486,178	3,199,711	286,467
Capital Projects	348,305	348,305	0
Total	\$6,786,829	\$4,558,756	\$2,228,073

**4. 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.

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

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$124,000	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.



**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>OPWC Loan</u>
2014	\$7,750
2015	7,750
2016	7,750
2017	7,750
2018	7,750
2019-2023	38,750
2024-2028	38,750
2029	<u>7,750</u>
Total	<u><u>\$124,000</u></u>

**6. 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 plan. 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 2013 and 2012, 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, 2013.

**7. RISK MANAGEMENT**

**Commercial Insurance**

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.

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. RELATED PARTY TRANSACTIONS**

A Township Trustee is the parent of an individual who provided legal counsel to the Township during both 2013 and 2012. The Township paid \$43,468 in 2013 and \$45,673 in 2012 for these services.

A Township employee is the spouse of an individual who provided repair services to the Township during 2013. The Township paid \$1,385 in 2013 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 resident 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 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 township 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, schools 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 1<sup>st</sup> of each year. Financial information can be obtained by writing to the Northfield Center-Sagamore Hills Joint Fire District, 60 West Aurora Road, Northfield Center, Ohio 44067.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, 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 Sagamore Hills Township, Summit County, (the Township) as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, and have issued our report thereon dated November 28, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 28, 2014

**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance and Material Weakness – On Behalf Payments**

**Ohio Rev. Code §5705.42** requires, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

- In July 2012, the Ohio Department of Transportation (ODOT) made a payment on-behalf of the Township. The receipt and disbursement for this payment were not recorded in the Township's accounting system resulting in understatements of both Special Revenue Road & Bridge Fund Intergovernmental Revenue and Public Works disbursements of \$254,756.
- In 2012, the Ohio Public Works Commission (OPWC) made two payments on-behalf of the Township. The receipts and disbursements for these payments were not recorded in the Township's accounting system resulting in understatements of both Capital Projects Intergovernmental Revenue and Capital Outlay disbursements of \$52,617.

The financial statements were subsequently adjusted to reflect the activity.

Failure to properly appropriate and record on-behalf monies can result in inaccurate financial statements. The appropriation and recording of on-behalf monies is not only required by statute, but is a key control in the reporting process to assure the financial statements are properly and accurately presented. To help improve control over financial reporting, the Township should appropriate and the Fiscal Officer should record on-behalf monies. (Auditor of State Bulletin 2000-008 Accounting for Cash Basis Local Governments” Participation in On-Behalf-Of Grants or Improvement Projects provides guidance for properly accounting for such activity.)

**Official’s Response:**

Resolution 12-67 was recommended by the Fiscal Officer and approved by the three Trustees requesting Ohio’s Auditors adjust the end of year Financial Records knowing that proper documentation may not be received from the State at close of the Fiscal Year 2012. Documentation from the State arrived after the Fiscal Officer closed Fiscal Year 2012.

**SAGAMORE HILLS TOWNSHIP  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	<b>Fund/Account System Coding –</b> Misclassifications of funds in the accounting system resulted in numerous required adjustments to accurately present the Township’s financial activity.	Yes	Fully corrected
2011-02	<b>Misclassification of Receipts –</b> Numerous misclassifications of receipts resulted in numerous adjustments to accurately present the Township’s financial activity.	No	Comment will be repeated in the management letter.



# 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  
DECEMBER 23, 2014**