



Dave Yost • Auditor of State

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

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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 of the cash balances, receipts and disbursements by fund type, and related notes of Sagamore Hills Township, Summit County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, Summit County as of December 31, 2015 and 2014, 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 dated September 28, 2016, 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

September 28, 2016

**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, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$420,997	\$2,318,970	\$2,739,967
Charges for Services	0	561	561
Licenses, Permits and Fees	31,475	4,850	36,325
Intergovernmental	248,859	525,659	774,518
Special Assessments	7,437	0	7,437
Earnings on Investments	2,349	75	2,424
Miscellaneous	36,520	3,709	40,229
<i>Total Cash Receipts</i>	<u>747,637</u>	<u>2,853,824</u>	<u>3,601,461</u>
Cash Disbursements			
Current:			
General Government	373,764	0	373,764
Public Safety	155,289	1,848,944	2,004,233
Public Works	10,280	831,165	841,445
Health	156,574	0	156,574
Conservation-Recreation	2,500	0	2,500
Capital Outlay	40,194	140,480	180,674
Debt Service:			
Principal Retirement	0	7,750	7,750
<i>Total Cash Disbursements</i>	<u>738,601</u>	<u>2,828,339</u>	<u>3,566,940</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,036</u>	<u>25,485</u>	<u>34,521</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	0	2,500	2,500
Advances In	35,000	35,000	70,000
Advances Out	(35,000)	(35,000)	(70,000)
Other Financing Uses	0	(1,250)	(1,250)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>1,250</u>	<u>1,250</u>
<i>Net Change in Fund Cash Balances</i>	9,036	26,735	35,771
<i>Fund Cash Balances, January 1</i>	<u>3,982,160</u>	<u>1,047,158</u>	<u>5,029,318</u>
Fund Cash Balances, December 31			
Restricted	0	1,073,893	1,073,893
Unassigned (Deficit)	3,991,196	0	3,991,196
<i>Fund Cash Balances, December 31</i>	<u>\$3,991,196</u>	<u>\$1,073,893</u>	<u>\$5,065,089</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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$420,105	\$2,312,730	\$0	\$2,732,835
Charges for Services	0	654	0	654
Licenses, Permits and Fees	13,749	2,567	0	16,316
Intergovernmental	384,402	522,098	249,301	1,155,801
Earnings on Investments	2,228	308	0	2,536
Miscellaneous	19,196	3,542	0	22,738
<i>Total Cash Receipts</i>	<u>839,680</u>	<u>2,841,899</u>	<u>249,301</u>	<u>3,930,880</u>
Cash Disbursements				
Current:				
General Government	375,113	0	0	375,113
Public Safety	100,295	1,857,050	0	1,957,345
Public Works	12,268	934,629	0	946,897
Health	155,633	0	0	155,633
Conservation-Recreation	5,852	0	0	5,852
Capital Outlay	44,993	447,908	249,301	742,202
Debt Service:				
Principal Retirement	0	7,750	0	7,750
<i>Total Cash Disbursements</i>	<u>694,154</u>	<u>3,247,337</u>	<u>249,301</u>	<u>4,190,792</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>145,526</u>	<u>(405,438)</u>	<u>0</u>	<u>(259,912)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	0	2,600	0	2,600
Transfers In	0	110,000	0	110,000
Transfers Out	(110,000)	0	0	(110,000)
Other Financing Uses	(31,739)	0	0	(31,739)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(141,739)</u>	<u>112,600</u>	<u>0</u>	<u>(29,139)</u>
<i>Net Change in Fund Cash Balances</i>	<u>3,787</u>	<u>(292,838)</u>	<u>0</u>	<u>(289,051)</u>
<i>Fund Cash Balances, January 1</i>	<u>3,978,373</u>	<u>1,339,996</u>	<u>0</u>	<u>5,318,369</u>
Fund Cash Balances, December 31				
Restricted	0	1,047,158	0	1,047,158
Unassigned (Deficit)	3,982,160	0	0	3,982,160
<i>Fund Cash Balances, December 31</i>	<u>\$3,982,160</u>	<u>\$1,047,158</u>	<u>\$0</u>	<u>\$5,029,318</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) - AGENCY FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<i>Operating Cash Receipts</i>	<u>\$0</u>	<u>\$0</u>
<i>Operating Cash Disbursements</i>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	0	0
<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, 2015 AND 2014**

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, park maintenance, and police protection. The Township contracts with the Northfield Center-Sagamore Hills Joint Fire District to provide fire and emergency medical services.

The Township participates in jointly governed organizations. Note 9 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 amount 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.
- **Village of Walton Hills and Sagamore Hills Township Joint Economic Development District (JEDD)** – Established to collect income tax revenue in order to facilitate economic development and to create and preserve jobs and employment opportunities within the JEDD area.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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 for maintaining 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 fund:

OPWC Springwood Fund – This fund received grant money from the Ohio Public Works Commission to resurface Springwood Drive and was closed at the end of 2014.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has no private purpose trust funds.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 2015 and 2014 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.

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, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2015 AND 2014
(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:

	2015	2014
Demand deposits	\$810,112	\$764,341
STAR Ohio	500,000	500,000
Repurchase agreement	3,830,000	3,840,000
Total investments	4,330,000	4,340,000
Total deposits and investments	\$5,140,112	\$5,104,341

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

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, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$724,625	\$747,637	\$23,012
Special Revenue	3,010,051	2,856,324	(153,727)
Fiduciary	0	0	0
Total	\$3,734,676	\$3,603,961	(\$130,715)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,600,000	\$738,601	\$3,861,399
Special Revenue	3,755,625	2,829,589	926,036
Fiduciary	75,023	0	75,023
Total	\$8,430,648	\$3,568,190	\$4,862,458

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,104,515	\$839,680	(\$264,835)
Special Revenue	3,032,007	2,954,499	(77,508)
Capital Projects	289,474	249,301	(40,173)
Fiduciary	0	0	0
Total	\$4,425,996	\$4,043,480	(\$382,516)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,404,219	\$835,893	\$3,568,326
Special Revenue	4,132,805	3,389,937	742,868
Capital Projects	250,567	249,301	1,266
Fiduciary	75,023	0	75,023
Total	\$8,862,614	\$4,475,131	\$4,387,483

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, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$108,500	5%

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, 2015 AND 2014
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	List type of debt
2016	\$7,750
2017	7,750
2018	7,750
2019	7,750
2020	7,750
2021-2025	38,750
2026-2029	31,000
Total	\$108,500

6. DEFINED BENEFIT PENSION PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Township employees, 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. Township 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.

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):

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %
* This rate is determined by OPERS' Board and has no maximum rate established by ORC.			
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.			

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township has paid all contributions required through December 31, 2015.

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, 2015 AND 2014
(Continued)**

9. 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 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, 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 1st 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. The Northfield Center Township and Sagamore Hills Township is in the process of dissolving the District as of September 2016. The Sagamore Hills Township has elected to contract with the City of Macedonia for fire protection and emergency medical services.

The Village of Walton Hills and Sagamore Hills Township Joint Economic Development District (JEDD) is a jointly governed organization established in 2015 in order to facilitate economic development and to create and preserve jobs and employment opportunities within the JEDD area. The five member Board consists of a Township member (initially the Chair of the Board of Township Trustees), a Village member (initially the Mayor of the Village), a representative of the business owners located in the district, a representative of the employees working in the district, and a fifth member appointed by the other four. The JEDD will be funded by an income tax levied on employee earnings and the net profits of businesses throughout the district and the Village will collect, administer, and enforce the income tax. No funds were collected or distributed by the JEDD during 2015.



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 the cash balances, receipts, and disbursements by fund type of Sagamore Hills Township, Summit County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 28, 2016 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

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 disclose an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Township's Response to Findings

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.

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 Entity'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

September 28, 2016

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance and Material Weakness – Ohio Rev. Code §5705.42 - 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 2014, the Ohio Public Works Commission (OPWC) made five payments to a vendor on behalf of the Township. Of these, two payments totaling \$131,788 were not recorded within the Township's accounting system, resulting in understatements of both Capital Projects Intergovernmental Revenue and Capital Outlay disbursements of \$131,788. Additionally, the expenditures associated with the remaining three payments totaling \$117,513 were misclassified as Public Works instead of Capital Outlay.

The Financial Statements and note disclosures were subsequently adjusted to reflect the activity.

Failure to formerly 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 Fiscal Officer should appropriate and properly record all on-behalf monies. (See also Auditor of State Bulletin 2000-008 Accounting for Cash Basis Local Governments' Participation in On-Behalf-Of Grants or Improvement Projects)

Official's Response: The Fiscal Officer self-reported fund through the Summit County Engineer were not received by the Township until a month after the close of the Fiscal year, and he requested the Auditors adjust the final total to reflect the late received funds.

FINDING NUMBER 2015-002

Material Weakness – Township Agency Fund

The Township had an Agency Fund for the purpose of accounting for the faithful performance cash deposit bonds paid by contractors for which a balance of \$75,023 existed at the end of 2014, although there had been no activity since 2007. Although the Board of Township Trustee meeting minutes reflected no evidence of the closing of this fund and various Township records including the 2015 amended certificate of estimated resources and the 2015 permanent appropriation resolution reflect the existence of this fund, the 2015 financial statements as submitted electronically to the Auditor of State reflected this amount as included in the beginning balance of the Township's General Fund. This resulted in an overstatement in the General Fund and an understatement in the Agency Fund of \$75,023.

Although the financial statements were adjusted to correct this error, the Township should review Ohio Revised Code §5705 regarding closing funds for which a purpose no longer exists and ensure a proper audit trail exists regarding any related transactions, including proper approval by the Township Trustees. Additionally, the Fiscal Officer should ensure the financial statements submitted for audit agree to the Township's records.

Official's Response: Trustees passed Resolution 16-13 and petitioned the Summit County Court of Common Pleas to declare funds in the Agency Fund inactive since 2007 and move the Agency Funds to the General Fund.

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**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code §5705.42 – On behalf payments were not recorded.	No	Not corrected See Finding No. 2015-001

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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
OCTOBER 20, 2016**