



**Auditor of State  
Betty Montgomery**



VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY

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# Auditor of State Betty Montgomery

## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Sugar Bush Knolls  
Portage County  
1333 Lake Martin Rd.  
P.O. Box 2127  
Streetsboro, Ohio

To the Village Council:

We have audited the accompanying financial statements of the Village of Sugar Bush Knolls (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Village's financial transactions were processed using 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 conduct the audit of the Village 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 (B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

May 28, 2004

**VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$39,490	\$1,302		\$40,792
State Shared Taxes and Permits	56,823	4,620		61,443
Fines, Licenses, and Permits	2,669			2,669
Earnings on Investments	3,726	351	172	4,249
	<u>102,708</u>	<u>6,273</u>	<u>172</u>	<u>109,153</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	11,551			11,551
Public Health Services	3,220			3,220
Basic Utility Services	21,700		11,494	33,194
Transportation	27,994			27,994
General Government	51,308			51,308
	<u>115,773</u>		<u>11,494</u>	<u>127,267</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(13,065)</u>	<u>6,273</u>	<u>(11,322)</u>	<u>(18,114)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In			2,000	2,000
Transfers-Out	<u>(2,000)</u>			<u>(2,000)</u>
	<u>(2,000)</u>		<u>2,000</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,065)	6,273	(9,322)	(18,114)
Fund Cash Balances, January 1	<u>369,773</u>	<u>31,674</u>	<u>18,695</u>	<u>420,142</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$354,708</u></b>	<b><u>\$37,947</u></b>	<b><u>\$9,373</u></b>	<b><u>\$402,028</u></b>

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

**VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$37,759	\$1,460		\$39,219
State Shared Taxes and Permits	280,493	4,520		285,013
Fines, Licenses, and Permits	2,210			2,210
Earnings on Investments	3,710	285	635	4,630
Miscellaneous	744			744
	<u>324,916</u>	<u>6,265</u>	<u>635</u>	<u>331,816</u>
<b>Total Cash Receipts</b>				
	<u>324,916</u>	<u>6,265</u>	<u>635</u>	<u>331,816</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	12,276			12,276
Public Health Services	2,340			2,340
Basic Utility Services	26,466			26,466
Transportation	12,150			12,150
General Government	42,921			42,921
Capital Outlay			143,945	143,945
	<u>96,153</u>		<u>143,945</u>	<u>240,098</u>
<b>Total Cash Disbursements</b>				
	<u>96,153</u>		<u>143,945</u>	<u>240,098</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>228,763</u>	<u>6,265</u>	<u>(143,310)</u>	<u>91,718</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In			28,000	28,000
Transfers-Out	(28,000)			(28,000)
	<u>(28,000)</u>		<u>28,000</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(28,000)</u>		<u>28,000</u>	
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	200,763	6,265	(115,310)	91,718
<b>Fund Cash Balances, January 1</b>	<u>169,010</u>	<u>25,410</u>	<u>134,004</u>	<u>328,424</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$369,773</u></u>	<u><u>\$31,675</u></u>	<u><u>\$18,694</u></u>	<u><u>\$420,142</u></u>
<b>Reserves for Encumbrances, December 31</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$10,164</u></u>	<u><u>\$10,164</u></u>

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



**VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Sugar Bush Knolls, Portage County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village contracts with independent providers for general government services, such as, garbage pick up, street lighting, and general grounds upkeep. The Village contracts with the Portage County Sheriff's department to provide security of persons and property. The Village contracts with the City of Kent to provide fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio, (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

*Capital Projects Fund* – This fund receives funds from transfer from the general fund to pay for capital improvements or acquisitions.

**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 level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2000
Demand deposits	\$67,285	\$89,081
STAR Ohio	334,743	331,061
Total deposits and investments	\$402,028	\$420,142

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

**VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**Investments:** 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, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,774	\$102,708	\$3,934
Special Revenue	5,620	6,273	653
Capital Projects	630	2,172	1,542
Total	\$105,024	\$111,153	\$6,129

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,800	\$117,773	\$57,027
Special Revenue	0	0	0
Capital Projects	2,000	11,494	(9,494)
Total	\$176,800	\$129,267	\$47,533

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,956	\$324,916	\$218,960
Special Revenue	5,000	6,265	1,265
Capital Projects	0	28,635	28,635
Total	\$110,956	\$359,816	\$248,860

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,565	\$124,153	\$38,412
Special Revenue	0	0	0
Capital Projects	161,765	154,109	7,656
Total	\$324,330	\$278,262	\$46,068

**VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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 Village.

**5. RETIREMENT SYSTEMS**

The Village's only employee belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS member employees contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through December 30, 2003. The Township has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omission



**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Sugar Bush Knolls  
Portage County  
P.O. Box 2127  
Streetsboro, Ohio 44241

To the Village Council:

We have audited the financial statements of the Village of Sugar Bush Knolls (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 28, 2004 wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of the Village because the Auditor of State designed, developed implemented, and as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is describe in the accompanying schedule of findings as item 2003-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Village of Sugar Bush Knolls  
Portage County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 28, 2004.

This report is intended solely for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

May 28, 2004

VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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**Noncompliance Citation – Certification of the Availability of Funds**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than three thousand dollars (one thousand dollars prior to April 7, 2003) the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council.

For 18% of the expenditures tested the Village Clerk's certification of the availability of funds was not made prior to a purchase commitment and the above exceptions were not applied.

Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

We recommend the Village establish control policies and procedures that are sufficient to reasonable ensure purchases are certified and encumbered prior to the time of the purchase obligation.

VILLAGE OF SUGAR BUSH KNOLLS  
PORTAGE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

Finding Number	2003-001
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**Noncompliance Citation – Certification of the Availability of Funds**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a Certificate, but may authorize it to be paid without the affirmation of the Council.

For 36% of the expenditures tested the Village Clerk's certification of the availability of funds was not made prior to a purchase commitment and the above exceptions were not applied.

Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

We recommend the Village establish control policies and procedures that are sufficient to reasonable ensure purchases are certified and encumbered prior to the time of the purchase obligation.





**Auditor of State  
Betty Montgomery**

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800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF SUGAR BUSH KNOLLS**

**PORTAGE 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  
AUGUST 5, 2004**