

Sagamore Hills Township Summit County

**Financial Statements
December 31, 2005 and 2004**



**Auditor of State
Betty Montgomery**

Board of Trustees
Sagamore Hills Township
11551 Valley View Road
Sagamore Hills, Ohio 44067

We have reviewed the *Independent Auditor's Report* of Sagamore Hills Township, Summit County, prepared by Ciuni & Panichi, Inc. for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Sagamore Hills Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 8, 2006

This Page is Intentionally Left Blank.

Sagamore Hills Township

Table of Contents

Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2005.....	3
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2004.....	4
Notes to Financial Statements.....	5
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	16
Response to Findings Associated with Audit Conducted in Accordance with <i>Government Auditing Standards</i>	17

Independent Auditors' Report

Honorable Mayor and
Members of Board of Trustees
Sagamore Hills Township

We have audited the accompanying financial statements of Sagamore Hills Township, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Honorable Mayor and
Members of Board of Trustees
Sagamore Hills Township

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Sagamore Hills Township, Summit County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not express an opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Cini & Panichi, Inc.

Cleveland, Ohio
April 5, 2006

Sagamore Hills Township

Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types

For The Year Ended December 31, 2005

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Cash receipts:						
Local taxes	\$ 415,227	\$ 1,736,932	\$ -	\$ -	\$ -	\$ 2,152,159
Intergovernmental	445,653	364,999	-	-	-	810,652
Charges for services	54,630	62,493	-	-	-	117,123
Licenses, permits, and fees	49,702	-	-	-	-	49,702
Fines, forfeitures, and penalties	12,530	-	-	-	-	12,530
Earnings on investments	122,566	8,505	-	-	-	131,071
Other revenue	41,804	65,206	-	-	185	107,195
Total cash receipts	<u>1,142,111</u>	<u>2,238,135</u>	<u>-</u>	<u>-</u>	<u>185</u>	<u>3,380,432</u>
Cash disbursements:						
Current:						
General government	463,761	-	-	-	-	463,761
Public safety	324,569	1,306,331	-	-	-	1,630,900
Public works	-	690,429	-	205,133	-	895,562
Health	131,350	-	-	-	-	131,350
Conservation – recreation	5,747	-	-	-	-	5,747
Contract services	8,898	109,393	-	-	-	118,291
Supplies and materials	-	87,373	-	-	-	231,363
Miscellaneous	13,893	1,715	-	-	880	16,488
Capital Outlay	135,467	95,896	-	-	-	231,363
Total cash disbursements	<u>1,083,685</u>	<u>2,291,137</u>	<u>-</u>	<u>205,133</u>	<u>880</u>	<u>3,580,836</u>
Total cash receipts over/(under) cash disbursements	<u>58,426</u>	<u>(53,002)</u>	<u>-</u>	<u>(205,133)</u>	<u>(695)</u>	<u>(200,404)</u>
Other financing receipts/(disbursements):						
Transfers – In	-	-	-	147,000	-	147,000
Transfers – Out	(147,000)	-	-	-	-	(147,000)
Other sources	1,244	-	-	-	-	1,244
Total other financing receipts/(disbursements)	<u>(145,756)</u>	<u>-</u>	<u>-</u>	<u>147,000</u>	<u>-</u>	<u>1,244</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(87,330)	(53,002)	-	(58,133)	(695)	(199,160)
Fund cash balances, January 1	<u>2,279,455</u>	<u>1,839,697</u>	<u>39,378</u>	<u>42,774</u>	<u>97,077</u>	<u>4,298,381</u>
Fund cash balances, December 31	\$ <u>2,192,125</u>	\$ <u>1,786,695</u>	\$ <u>39,378</u>	\$ <u>(15,359)</u>	\$ <u>96,382</u>	\$ <u>4,099,221</u>
Reserve for encumbrances, December 31	\$ <u>60,628</u>	\$ <u>67,458</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>128,086</u>

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

Sagamore Hills Township

Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types

For The Year Ended December 31, 2004

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash receipts:						
Local taxes	\$ 411,024	\$ 1,720,498	\$ -	\$ -	\$ -	\$ 2,131,522
Intergovernmental	599,814	349,961	-	-	-	113,575
Charges for services	50,915	62,659	-	-	-	25,830
Licenses, permits, and fees	25,830	-	-	-	-	5,795
Fines, forfeitures, and penalties	5788	7	-	-	-	949,775
Earnings on investments	48,985	3,143	-	-	-	52,128
Other revenue	<u>25,836</u>	<u>62,710</u>	<u>-</u>	<u>-</u>	<u>435</u>	<u>88,981</u>
Total cash receipts	<u>1,168,193</u>	<u>2,198,978</u>	<u>-</u>	<u>-</u>	<u>435</u>	<u>3,367,606</u>
Cash disbursements:						
Current:						
General government	592,709	14	-	-	-	592,723
Public safety	316,068	1,199,601	-	-	-	1,515,669
Public works	-	556,634	-	36,793	-	593,425
Health	127,128	-	-	-	-	127,128
Conservation – recreation	4,747	-	-	-	-	4,747
Contract services	8,898	33,385	-	-	-	42,283
Supplies and materials	-	55,425	-	-	-	55,425
Miscellaneous	14,715	13,376	-	-	520	28,611
Debt service:						
Redemption of principal	-	67,581	114,652	-	-	182,233
Interest and fiscal charges	-	4,459	7,565	-	-	12,024
Capital outlay	<u>93,141</u>	<u>146,660</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>289,801</u>
Total cash disbursements	<u>1,157,406</u>	<u>2,077,135</u>	<u>122,217</u>	<u>86,793</u>	<u>520</u>	<u>3,444,071</u>
Total cash receipts over/(under) cash disbursements	<u>10,788</u>	<u>121,843</u>	<u>(122,217)</u>	<u>(86,793)</u>	<u>(85)</u>	<u>(76,465)</u>
Other financing receipts/(disbursements):						
Transfers – In	-	11,090	-	99,566	-	110,656
Transfers – Out	(110,656)	-	-	-	-	(110,656)
Other sources	<u>1,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,669</u>
Total other financing receipts/(disbursements)	<u>(108,987)</u>	<u>11,090</u>	<u>-</u>	<u>99,566</u>	<u>-</u>	<u>1,669</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(98,200)	132,932	(122,217)	12,773	(85)	(74,796)
Fund cash balances, January 1	<u>2,377,655</u>	<u>1,706,764</u>	<u>161,595</u>	<u>30,001</u>	<u>97,162</u>	<u>4,373,177</u>
Fund cash balances, December 31	\$ <u>2,279,455</u>	\$ <u>1,839,697</u>	\$ <u>39,378</u>	\$ <u>42,774</u>	\$ <u>97,077</u>	\$ <u>4,298,381</u>
Reserve for encumbrances, December 31	\$ <u>23,678</u>	\$ <u>62,534</u>	\$ <u>-</u>	\$ <u>42,773</u>	\$ <u>-</u>	\$ <u>128,986</u>

The accompanying notes are an integral part of these financial statements

Sagamore Hills Township

Notes to the Financial Statements

December 31, 2005 and 2004

Note 1: Summary of Significant Accounting Policies

A. *Description of the Entity*

Sagamore Hills Township, Summit County, Ohio, (the Township) 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general government services, including rubbish removal, road and bridge maintenance, park operations, and police protection. The Township contracts with the Northfield Center Township's Fire Department to provide fire and ambulance services.

The Township's management believes these financial statements present all activities for which the Township 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 included in the fund cash balances. 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. Certificates of deposit are valued at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer. During 2005 and 2004, the Township also invested funds in short-term repurchase agreements through a cash management program offered by a local bank.

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

Sagamore Hills Township

Notes to the Financial Statements (Continued)

December 31, 2005 and 2004

Note 1: Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

- 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 Township has the following significant Special Revenue Funds:
- *Police Special Levy Fund* - This fund receives property tax and intergovernmental revenue money to maintain the police department.
- *Road and Bridge Fund* - This fund receives property tax and intergovernmental revenue money to construct, maintain and repair Township roads and bridges.

3. Debt Service Funds

- The debt service fund is used to accumulate resources for the payment of bond and note indebtedness. The Township has the following Debt Service Fund:
- *General Bond-Note Retirement* - This fund receives property tax money to pay note debt.

4. Capital Projects 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 Township has the following Capital Projects Fund:
- *Capital Equipment* - This fund receives monies used for major capital equipment purchases.

5. Fiduciary Fund (Trust Fund)

- This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township has the following Fiduciary Fund:
- *Expendable Trust Fund* - This fund is used to account for faithful performance cash deposit bonds paid by contractors.

Sagamore Hills Township

Notes to the Financial Statements (Continued)

December 31, 2005 and 2004

Note 1: Summary of Significant Accounting Policies (continued)

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 Board of Trustees must annually approve the annual appropriation measure 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 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 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the Township's basis of accounting.

Sagamore Hills Township

Notes to the Financial Statements (Continued)

December 31, 2005 and 2004

Note 2: Equity in Pooled Cash and Investments

The Township maintains a cash and investment 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:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ (87,074)	\$ (81,915)
Certificates of deposit	<u>1,200,000</u>	<u>1,200,000</u>
Total deposits	<u>1,112,926</u>	<u>1,118,085</u>
STAR Ohio	500,000	500,000
Repurchase agreement	<u>2,486,295</u>	<u>2,680,296</u>
Total investments	<u>2,986,295</u>	<u>3,180,296</u>
Total deposits and investments	\$ <u>4,099,221</u>	\$ <u>4,298,381</u>

Deposits - Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments - The Township's agent holds securities collateralizing 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.

Note 3: Budgetary Activity

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 1,089,494	\$ 1,143,355	\$ 53,861
Special revenue	2,209,426	2,238,135	28,709
Capital Projects		147,000	147,000
Expendable trust	-	<u>185</u>	<u>185</u>
Total	\$ <u>3,298,920</u>	\$ <u>3,528,675</u>	\$ <u>229,755</u>

Sagamore Hills Township

Notes to the Financial Statements (Continued)

December 31, 2005 and 2004

Note 3: Budgetary Activity (continued)

Fund Type	2005 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 3,308,340	\$ 1,291,313	\$ 2,017,027
Special revenue	3,949,934	2,358,595	1,591,339
Debt service	35,000	-	35,000
Capital projects	82,773	205,133	(122,360)
Expendable trust	90,500	880	89,620
Total	\$ <u>7,466,547</u>	\$ <u>3,855,921</u>	\$ <u>3,610,626</u>

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 1,096,294	\$ 1,169,862	\$ 73,568
Special revenue	2,200,797	2,210,068	9,271
Debt service	35,000	-	(35,000)
Capital projects	129,567	99,566	(30,001)
Expendable trust	-	435	435
Total	\$ <u>3,461,658</u>	\$ <u>3,479,931</u>	\$ <u>18,273</u>

Fund Type	2004 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 3,184,793	\$ 1,291,740	\$ 1,893,053
Special revenue	3,726,347	2,139,669	1,586,678
Debt service	161,595	122,217	39,378
Capital projects	50,000	129,566	(79,566)
Expendable trust	83,000	520	82,480
Total	\$ <u>7,205,735</u>	\$ <u>3,683,712</u>	\$ <u>3,522,023</u>

Note 4: Property Tax

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board of Trustees. 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.

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

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

Sagamore Hills Township

Notes to the Financial Statements (Continued)

December 31, 2005 and 2004

Note 4: Property Tax (continued)

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

Note 5: Debt

There was no debt outstanding at December 31, 2004 or December 31, 2005.

Note 6: Retirement Systems

The Township's Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost sharing, multiple-employer plans. These plans provide 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 2005 and 2004, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

Note 7: Risk Management

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health, dental, and vision coverage to full-time employees through a commercial insurance provider. There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

Sagamore Hills Township

Notes to the Financial Statements (Continued)

December 31, 2005 and 2004

Note 8: 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 Township residents and bills them for the water service. Financial information can be obtained by writing to the North Hills Water District, 253 West Aurora Road, Northfield Center, Ohio 44067.

The Summit Council of Governments (Council) is a statutorily created political subdivision of Ohio. The Council is jointly governed among municipalities and townships located in Summit County. Each members' control over the operation of the Council is limited to its representation on the Board which consists of 27 members. The Board exercises total control over Council operations.

The Summit County Regional Planning Commission (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 Commission operations.

Note 9: Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Note 10: Compliance

Ohio Revised Cod 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had deficit cash balances at December 31, 2005:

OPWC- Holzhauser/82 Intersection Improvement Capital Project Fund	\$15,359
---	----------

Sagamore Hills Township

Notes to the Financial Statements (Continued)

December 31, 2005 and 2004

Note 10: Compliance (continued)

Ohio Revised Code 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2005, the Township had expenditures plus encumbrances in excess of appropriations as follows:

	Expenditures Plus Encumbrances	Appropriations	Excess
Capital Project Fund: OPWC Holzhauser/82 Intersection Improvement Fund	\$82,773	\$205,133	\$122,360

At December 31, 2004, the Township had expenditures plus encumbrances in excess of appropriations as follows:

	Expenditures Plus Encumbrances	Appropriations	Excess
Capital Project Fund: OPWC Holzhauser/82 Intersection Improvement Fund	\$79,566	\$0	\$79,566

Ohio Revised Code 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

At December 31, 2004, the following funds had final appropriations in excess of estimated resources plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

	Estimate Resources Plus Carryover Balances	Final Appropriations	Excess
Capital Project Fund: Capital Equipment Fund	\$30,001	\$50,000	\$19,999

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Board of Trustees
Sagamore Hills Township, Ohio

We have audited the financial statements of the Township of Sagamore Hills, Ohio (the “Township”) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 5, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township’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 caused by error or fraud 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. 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 Township in a separate letter dated April 5, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 05-01, 05-02, 04-01, and 04-02.

Members of the Board of Trustees
Sagamore Hills Township, Ohio

This report is intended solely for the information and use of the Township Council, Township Management, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Panichi, Inc.

Cleveland, Ohio
April 5, 2006

Sagamore Hills Township

Schedule of Findings

For the Years Ended December 31, 2005 and 2004

Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

05-01	<p>Ohio Revised Code 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.</p> <p>At December 31, 2005, the Township had expenditures plus encumbrances in excess of appropriations as follows: The OPWC-Holzhauser 82/Intersection Improvement capital project fund had total budgetary expenditures that exceeded appropriations by \$122,360.</p>
05-02	<p>Ohio Revised Cod 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.</p> <p>In 2005, the OPWC- Holzhauser 82/Intersection Improvement capital project fund had a negative cash balance of \$15,359, indicating that revenues form other sources were used to pay obligations of this fund.</p>

04-01	<p>Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>In 2004, the Capital Equipment Fund had appropriations that were greater than the Certificate of Estimated Resources by \$19,999.</p>
04-02	<p>Ohio Revised Code 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.</p> <p>At December 31, 2004, the Township had expenditures plus encumbrances in excess of appropriations as follows: The OPWC-Holzhauser 82/Intersection Improvement Fund had total budgetary expenditures that exceeded appropriations by \$79,566.</p>

Sagamore Hills Township

Schedule of Prior Audit Findings

For the Years Ended December 31, 2005 and 2004

02-01	<p>Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>In 2003, the Nature Works Fund, Special Revenue Fund had appropriations that were greater than the Certificate of Estimated Resources by \$50,000.</p>
03-01	<p>Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>In 2003, the Park Levy- Greenspace and Dare Program Special Revenue Fund had appropriations that were greater than the Certificate of Estimated Resources by \$155,914 and \$700 respectively.</p>

Response to Findings Associated With
 Audit Conducted In Accordance With
Government Auditing Standards
 For The Year Ended December 31, 2005 and 2004

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
05-01	The Township will monitor expenditures to ensure that they do not exceed appropriations.	N/A	Laura Angelici Township Clerk
05-02	The Township will monitor expenditures to ensure that they do not exceed revenues.	N/A	Laura Angelici Township Clerk
04-01	The Township will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Laura Angelici Township Clerk
04-02	The Township will monitor expenditures to ensure that they do not exceed appropriations.	N/A	Laura Angelici Township Clerk.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**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
JUNE 20, 2006**