



**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Sagamore Hills Township, Summit County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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 of the Sagamore Hills Township, Summit County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As disclosed in Note 2, fund balances at December 31, 2007 were restated due to reclassification of the Expendable Trust Fund to the Agency and Special Revenue Fund.

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 June 30, 2010 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

June 30, 2010

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$459,519	\$1,966,255		\$2,425,774
Charges for Services	7,282	174,538		181,820
Licenses, Permits, and Fees	7,012			7,012
Fines and Forfeitures	5,147			5,147
Intergovernmental	657,738	605,115		1,262,853
Earnings on Investments	17,977	1,575		19,552
Miscellaneous	24,980	60,287		85,267
	<u>1,179,655</u>	<u>2,807,770</u>		<u>3,987,425</u>
Cash Disbursements:				
Current:				
General Government	443,775			443,775
Public Safety	323,171	1,381,079		1,704,250
Public Works		355,360		355,360
Health	157,301			157,301
Transportation		101,840		101,840
Conservation - Recreation	1,000			1,000
Contract Services		213,815		213,815
Supplies and Materials		67,891		67,891
Other		3,658		3,658
Capital Outlay	29,803	14,502	\$155,000	199,305
	<u>955,050</u>	<u>2,138,145</u>	<u>155,000</u>	<u>3,248,195</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>224,605</u>	<u>669,625</u>	<u>(155,000)</u>	<u>739,230</u>
Other Financing Receipts/(Disbursements):				
Proceeds of Loan			155,000	155,000
Transfers-In	1,427	107,844		109,271
Transfers-Out		(1,427)	(107,844)	(109,271)
Other Financing Sources	738			738
	<u>2,165</u>	<u>106,417</u>	<u>47,156</u>	<u>155,738</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	226,770	776,042	(107,844)	894,969
Fund Cash Balances, January 1	<u>3,090,984</u>	<u>1,208,861</u>	<u>107,844</u>	<u>4,407,689</u>
Fund Cash Balances, December 31	<u>\$3,317,754</u>	<u>\$1,984,903</u>	<u>\$0</u>	<u>\$5,302,658</u>

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

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
Cash Receipts:					
Property and Other Local Taxes	\$468,231	\$1,998,566			\$2,466,797
Charges for Services	58,058	256,545			314,603
Licenses, Permits, and Fees	4,273				4,273
Fines and Forfeitures	5,478	50			5,528
Intergovernmental	803,309	471,749			1,275,058
Earnings on Investments	104,932	10,472			115,404
Miscellaneous	14,786	84,562			99,348
	<u>1,459,067</u>	<u>2,821,944</u>			<u>4,281,011</u>
Cash Disbursements:					
Current:					
General Government	644,481				644,481
Public Safety	523,942	1,378,223			1,902,165
Public Works		854,629			854,629
Health	148,481				148,481
Contract Services		173,293			173,293
Conservation - Recreation	6,908				6,908
Supplies and Materials		169,036			169,036
Other		4,874			4,874
Capital Outlay	91,322	116,353			207,675
	<u>1,415,134</u>	<u>2,696,408</u>			<u>4,111,542</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>43,933</u>	<u>125,536</u>			<u>169,469</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	49,491				49,491
Transfers-Out		(10,113)		(\$39,378)	(49,491)
Other Financing Sources	4,636				4,636
	<u>54,127</u>	<u>(10,113)</u>		<u>(39,378)</u>	<u>4,636</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	98,060	115,423		(39,378)	174,105
Fund Cash Balances, January 1 (Restated)	<u>2,992,924</u>	<u>1,093,438</u>	<u>\$107,844</u>	<u>39,378</u>	<u>4,233,584</u>
Fund Cash Balances, December 31	<u><u>\$3,090,984</u></u>	<u><u>\$1,208,861</u></u>	<u><u>\$107,844</u></u>	<u><u>\$0</u></u>	<u><u>\$4,407,689</u></u>

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

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating Cash Receipts:		
Total Operating Cash Receipts	<u>\$0</u>	<u>\$0</u>
Fund Cash Balances, January 1 (Restated)	<u>75,023</u>	<u>75,023</u>
Fund Cash Balances, December 31	<u>\$75,023</u>	<u>\$75,023</u>

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

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**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 general government services, including rubbish removal, road and bridge maintenance, park maintenance, and police protection. The Township contracts with Northfield Center Township's Fire Department to provide fire protection and emergency medical services.

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

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The investment in an overnight repurchase agreement is valued at cost.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

3. Debt Service Fund

This fund is used to account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond-Note Retirement Fund - This fund received property tax money to pay note debt and was closed at the end of 2008, as the Township no longer has any outstanding debt. The remaining balance was transferred to the General Fund.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds

Greenwood Village Development Rehab 4 Fund – This fund received money for a major capital improvement project. In 2009, the fund was dissolved and the fund balance was transferred to the Special Revenue Road and Bridge Fund because the project was finished and no future activity was anticipated.

Ohio Public Works Commission (OPWC) Chill Fund – This fund received money from OPWC for road construction projects.

5. Fiduciary Fund

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

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. 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, 2009 AND 2008
(Continued)**

2. Restatement of Prior Year Fund Balances

The Township's fund balances have been restated to reflect a reclassification of the Expendable Trust Fund (Internal Service/Special Assessment Fund within the Township accounting system) which was reclassified in part as an Agency Fund and in part as a Special Revenue Fund. This fund was reported as an Expendable Trust Fund in 2007. The change in reporting had the following effect on fund balances as previously reported.

December 31, 2007	Fiduciary Fund Type		Governmental
	Expendable Trust Fund	Agency Fund	Fund Type Special Revenue Fund
Fund Balance	\$76,128	\$0	\$1,092,333
Adjustment for Change in Reporting	(76,128)	75,023	1,105
Restated Fund Balance	\$0	\$75,023	\$1,093,438

3. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	(\$47,319)	(\$387,288)
Certificates of deposit	1,200,000	1,200,000
Total deposits	1,152,681	812,712
STAR Ohio	500,000	500,000
Repurchase agreement	3,725,000	3,170,000
Total investments	4,225,000	3,670,000
Total deposits and investments	\$5,377,681	\$4,482,712

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

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

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

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

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,306,866	\$1,181,820	(\$125,046)
Special Revenue	2,308,122	2,915,614	607,492
Capital Projects	155,000	155,000	0
Total	\$3,769,988	\$4,252,434	\$482,446

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,925,741	\$955,050	\$1,970,691
Special Revenue	3,085,617	2,139,571	946,046
Capital Projects	262,844	262,844	0
Total	\$6,274,202	\$3,357,465	\$2,916,737

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,487,117	\$1,513,194	\$26,077
Special Revenue	2,706,756	2,821,944	115,188
Total	\$4,193,873	\$4,335,138	\$141,265

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,133,380	\$1,415,134	\$1,718,246
Special Revenue	3,678,413	2,706,521	971,892
Debt Service	39,378	39,378	0
Total	\$6,851,171	\$4,161,033	\$2,690,138

5. Property Tax

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

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

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Property Tax (Continued)

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

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

6. Debt

There was no debt outstanding at December 31, 2009. The Debt Service Fund was closed at the end of 2008 as the Township no longer has any outstanding debt. The Township received loan proceeds of \$155,000 from the Ohio Public Works Commission (OPWC) to finance road construction projects. The loan payments are not due until 2010.

7. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, regular OPERS members contributed 10% of their gross salaries. The Township contributed an amount equaling 14% of participants' gross salaries. For 2009 and 2008, law enforcement OPERS members contributed 10.1% of their gross salaries. The Township contributed an amount equaling 17.63% and 17.40%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

8. 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 reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

9. Contingent Liabilities

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

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

10. Jointly Governed Organizations

The North Hills Water District (the District) is a jointly governed organization established to provide for the construction and maintenance of water transmission lines to residents of Northfield Center Township and Sagamore Hills Township. The seven member board consists of three members appointed by each Township with one member appointed alternately by the Townships. The District's Board exercises total control over District operations, including budgeting, appropriating, contracting and hiring personnel. All of the District's revenues are derived from property taxes assessed on the property of Township residents. The City of Cleveland provides water service to the 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 County Regional Planning Commission (the Commission) is a statutorily created political subdivision of Ohio. The Commission is jointly governed among municipalities and townships located in Summit County. Each member's control over the operation of the Commission is limited to its representation on the Board which consists of 48 members. The Board exercises total control over the Commission's operations.

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the Sagamore Hills Township, Summit County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 30, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted fund balances were restated to reclassify the Expandable Trust Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2009-002 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as finding number 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 30, 2010.

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

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



Mary Taylor, CPA
Auditor of State

June 30, 2010

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Noncompliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

FINDING NUMBER 2009-001 (Continued)

During the 2009 and 2008, 7 of 30 (23%) of the expenditures tested had purchase orders dated after the invoice date and no "Then and Now" certifications, which resulted in purchase order certification non-compliance violations. The Township should certify the availability of funds for expenditures and also implement the use of "Then and Now" certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2009-002

Material Weakness

Financial Reporting

Due to the misclassification of some of the funds in the accounting system, the following errors were noted in the Township's financial statements that required audit adjustments/reclassification. The Township made the adjustments to the accounting system and to the financial statements.

- During 2009, the FEMA Fund activity of \$16,208 of Intergovernmental Revenues and \$16,208 of Transfers-Out were misclassified as General Fund activity rather than as Special Revenue activity.
- The BMV Immobilization Fund activity with a year-end fund balance of \$1,105 was misclassified as an Internal Service/Special Assessment Fund within the Township's accounting system (Expendable Trust in the 2007 audit report) rather than a Special Revenue Fund.
- A Trust Fund activity with a year-end balance of \$75,023 was misclassified as an Internal Service/Special Assessment Fund within the Township's accounting system (Expendable Trust in the 2007 audit report) rather than an Agency Fund.
- During 2009, the OPWC Project #CH11L Fund activity was misclassified as Special Revenue Fund rather than a Capital Project Fund (See AOS Bulletin 2002-004). In addition, since the OPWC money was a loan and not a grant, the \$155,000 of Loan Proceeds were misclassified as Intergovernmental Revenues rather than Other Financing Sources Proceeds of Loans.
- During 2008, adjustments to the financial statements were necessary to reflect the transfer activity that occurred during the year. The Board approved transfers of \$10,113 and \$39,378 from the Special Revenue Park Levy Fund and the Debt Service General Note Retirement Fund, respectively, to the General Fund. However, these transfers were never posted to the Township's accounting system.

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

To help ensure the Township's financial statements are complete and accurate, the Township should adopt policies and procedures including a final review of the statements by the Fiscal Officer and the Board, to identify and correct errors and omissions. The Fiscal Officer should also review the accounting system chart of accounts and the Township's Handbook chart of accounts to help ensure all accounts are being properly posted to the financial statements and adequate account classification exist.

Officials' Response: Of the aforementioned financial statements and with the recommendation of the Auditor of State staff, each citation has been corrected. Upon taking office on the first day of April 2008, rule followed past practices until adjustments could be made. While all previous audit findings were corrected as noted in the immediately following section, many citations predate the office holder and where not discovered in past independent audits. In conjunction with township Trustees, new procedures have begun upon completion of this audit to assist with compliance and strengthen audit controls.

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-1	<p>Ohio Rev. Code Section 5705.39 - Appropriations exceeded estimated resources in the Special Revenue Motor Vehicle Tax Fund by \$10,762, the Special Revenue Road and Bridge Fund by \$181,501, Special Revenue Explorer Post Fund by \$1,100, the Special Revenue Police Special Levy Fund by \$10,084, the Special Revenue Drug Enforcement Fund by \$560, and the OPWC/82 Intersection Improvement Fund by \$24,640.</p>	Yes	
2006-1	<p>Ohio Rev. Code Section 5705.39 - Appropriations exceeded estimated resources in the Special Revenue Road and Bridge Fund by \$19,267, Special Revenue Law Enforcement Special Education Fund by \$477, the Special Revenue Permissive Tax Fund by \$16,046, the OPWC/82 Intersection Improvement Fund by \$27,414, the Natureworks Capital Projects Fund by \$50,000, and the Fiduciary Fund by \$83,000.</p>	Yes	



Mary Taylor, CPA
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
AUGUST 26, 2010**