



Dave Yost • Auditor of State

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Sagamore Hills Township, Summit County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Sagamore Hills Township, Summit County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 12, 2018

Sagamore Hills Township
Summit County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$417,858	\$2,311,119	\$2,728,977
Charges for Services	221,578	0	221,578
Licenses, Permits and Fees	41,928	15,367	57,295
Intergovernmental	617,577	516,404	1,133,981
Special Assessments	1,400	0	1,400
Earnings on Investments	5,262	435	5,697
Miscellaneous	54,748	7,066	61,814
<i>Total Cash Receipts</i>	<u>1,360,351</u>	<u>2,850,391</u>	<u>4,210,742</u>
Cash Disbursements			
Current:			
General Government	425,315	77,998	503,313
Public Safety	581,578	1,754,547	2,336,125
Public Works	13,405	547,503	560,908
Health	161,393	0	161,393
Conservation-Recreation	20	0	20
Capital Outlay	134,898	352,308	487,206
Debt Service:			
Principal Retirement	0	7,750	7,750
<i>Total Cash Disbursements</i>	<u>1,316,609</u>	<u>2,740,106</u>	<u>4,056,715</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>43,742</u>	<u>110,285</u>	<u>154,027</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	0	15,729	15,729
Other Financing Uses	(15,000)	0	(15,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(15,000)</u>	<u>15,729</u>	<u>729</u>
<i>Net Change in Fund Cash Balances</i>	28,742	126,014	154,756
<i>Fund Cash Balances, January 1</i>	<u>3,613,969</u>	<u>1,401,817</u>	<u>5,015,786</u>
Fund Cash Balances, December 31			
Restricted	0	1,527,831	1,527,831
Assigned	3,309,971	0	3,309,971
Unassigned (Deficit)	332,740	0	332,740
<i>Fund Cash Balances, December 31</i>	<u>\$3,642,711</u>	<u>\$1,527,831</u>	<u>\$5,170,542</u>

See accompanying notes to the basic financial statements

Sagamore Hills Township
Summit County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017

	<u>Agency</u>
<i>Operating Cash Receipts</i>	<u>\$0</u>
<i>Operating Cash Disbursements</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	<u>75,023</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$75,023</u></u>

See accompanying notes to the basic financial statements

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sagamore Hills Township, Summit County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, park maintenance and police protection. The Township contracts with the City of Macedonia to provide fire and emergency medical services.

Jointly Governed Organizations

The Township participates in the jointly governed organizations listed below. Note 11 to the financial statements provides additional information for these entities.

- **North Hills Water District** was 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** was established to advise municipalities and local governments in Summit County on planning, development, and zoning issues.
- **Cuyahoga Valley Regional Council of Governments** was established for municipalities, township, 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.
- **Village of Walton Hills and Sagamore Hills Township Joint Economic Development District (JEDD)** was established to collect income tax revenue in order to facilitate economic development and to create and preserve jobs and employment opportunities within the JEDD area.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

- ***Road and Bridge Fund*** This fund receives property tax and intergovernmental revenue money for the constructing, maintaining, and repairing Township roads and bridges.
- ***Police District Fund*** This fund receives property tax and intergovernmental money for maintaining the police department.
- ***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.
- ***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township did not utilize any significant capital project funds during the audit period.

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

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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 2017 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Property, Plant and Equipment

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

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
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,423,975	\$1,360,351	(\$63,624)
Special Revenue	3,396,303	2,866,120	(530,183)
Fiduciary	72,023	0	(72,023)
Total	\$4,892,301	\$4,226,471	(\$665,830)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,755,474	\$1,331,609	\$3,423,865
Special Revenue	3,919,491	2,740,105	1,179,386
Fiduciary	75,023	0	75,023
Total	\$8,749,988	\$4,071,714	\$4,678,274

Note 4 – 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:

Demand deposits	2017 \$756,209
Investments:	
STAR Ohio	500,000
Repurchase agreement	3,989,356
Total investments	4,489,356
Total deposits and investments	\$5,245,565

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

Investments: The Township’s financial institution transfers securities to the Township’s agent to collateralize repurchase agreements. The securities are not in the Township’s name. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the

County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

There were no significant reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three years.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members who are not Law Enforcement Professionals contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. OPERS members who are Law Enforcement Professionals contributed 13% and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>
Ohio Public Works Commission	<u>\$93,000</u>

During 2009, the Township received loan proceeds of \$155,000 from the Ohio Public Works Commission (OPWC) to finance road construction projects. This is an interest free loan requiring semi-annual payments of \$3,875 beginning January 1, 2010 and ending July 1, 2029. The OPWC loan payments were paid from the Special Revenue Road and Bridge Fund.

Amortization

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

Year Ending December 31:	Ohio Public Works Commission
2018	\$7,750
2019	7,750
2020	7,750
2021	7,750
2022-2026	38,750
2027-2029	23,250
Total	<u>\$93,000</u>

Note 10 – Contingent Liabilities

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

Note 11 – Jointly Governed Organizations

The North Hills Water District (the District) is a jointly governed organization established to provide for the construction and maintenance of water transmission lines to residents of Northfield Center Township and Sagamore Hills Township. The seven member Board consists of three members appointed by each Township with one member appointed alternately by the Townships. The District’s Board exercises total control over District operations, including budgeting, appropriating, contracting and hiring personnel. All of the District’s revenues are derived from property taxes assessed on the property of Township residents. The City of Cleveland provides water service to the residents and bills them for water service. Financial information can be obtained by writing to the North Hills Water District, 253 West Aurora Road, Northfield Center, Ohio 44067.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Jointly Governed Organizations (continued)

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 Council's operation.

The Village of Walton Hills and Sagamore Hills Township Joint Economic Development District (JEDD) is a jointly governed organization established in 2015 in order to facilitate economic development and to create and preserve jobs and employment opportunities within the JEDD area. The five member Board consists of a Township member (initially the Chair of the Board of Township Trustees), a Village member (initially the Mayor of the Village), a representative of the business owners located in the district, a representative of the employees working in the district, and a fifth member appointed by the other four. The JEDD will be funded by an income tax levied on employee earnings and the net profits of businesses throughout the district and the Village will collect, administer, and enforce the income tax. The Township received four quarterly distributions from the JEDD totaling \$360,411.

Sagamore Hills Township
Summit County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$417,849	\$2,309,467	\$0	\$2,727,316
Charges for Services	0	200	0	200
Licenses, Permits and Fees	8,441	241	0	8,682
Intergovernmental	789,585	501,718	93,304	1,384,607
Special Assessments	2,050	0	0	2,050
Earnings on Investments	4,510	106	0	4,616
Miscellaneous	39,416	9,738	0	49,154
<i>Total Cash Receipts</i>	<u>1,261,851</u>	<u>2,821,470</u>	<u>93,304</u>	<u>4,176,625</u>
Cash Disbursements				
Current:				
General Government	420,399	77,999	0	498,398
Public Safety	306,883	1,588,606	0	1,895,489
Public Works	13,393	654,658	0	668,051
Health	159,564	0	0	159,564
Conservation-Recreation	5,641	0	0	5,641
Capital Outlay	503,165	383,956	93,304	980,425
Debt Service:				
Principal Retirement	0	7,750	0	7,750
<i>Total Cash Disbursements</i>	<u>1,409,045</u>	<u>2,712,969</u>	<u>93,304</u>	<u>4,215,318</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(147,194)</u>	<u>108,501</u>	<u>0</u>	<u>(38,693)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	0	1,000	0	1,000
Transfers In	0	218,423	0	218,423
Transfers Out	(218,423)	0	0	(218,423)
Other Financing Uses	(11,610)	0	0	(11,610)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(230,033)</u>	<u>219,423</u>	<u>0</u>	<u>(10,610)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(377,227)</u>	<u>327,924</u>	<u>0</u>	<u>(49,303)</u>
<i>Fund Cash Balances, January 1</i>	<u>3,991,196</u>	<u>1,073,893</u>	<u>0</u>	<u>5,065,089</u>
Fund Cash Balances, December 31				
Restricted	0	1,401,817	0	1,401,817
Assigned	3,331,499	0	0	3,331,499
Unassigned (Deficit)	282,470	0	0	282,470
<i>Fund Cash Balances, December 31</i>	<u>\$3,613,969</u>	<u>\$1,401,817</u>	<u>\$0</u>	<u>\$5,015,786</u>

See accompanying notes to the basic financial statements

Sagamore Hills Township
Summit County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

	<u>Agency</u>
<i>Operating Cash Receipts</i>	<u>\$0</u>
<i>Operating Cash Disbursements</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	<u>75,023</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$75,023</u></u>

See accompanying notes to the basic financial statements

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sagamore Hills Township, Summit County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, park maintenance and police protection. The Township contracted with the Northfield Center-Sagamore Hills Joint Fire District to provide fire and emergency medical services until September of 2016 after which the Township contracted with the City of Macedonia to provide these services for the remainder of 2016.

Jointly Governed Organizations

The Township participates in the jointly governed organizations listed below. Note 12 to the financial statements provides additional information for these entities.

- **North Hills Water District** was 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** was established to advise municipalities and local governments in Summit County on planning, development, and zoning issues.
- **Cuyahoga Valley Regional Council of Governments** was established for municipalities, township, school districts, and park systems located in the Cuyahoga Valley to facilitate communication between the parks and local governments concerning zoning and other land issues.
- **Northfield Center-Sagamore Hills Joint Fire District** was established to provide fire services and emergency medical services to Northfield Center Township and Sagamore Hills Township.
- **Village of Walton Hills and Sagamore Hills Township Joint Economic Development District (JEDD)** was established to collect income tax revenue in order to facilitate economic development and to create and preserve jobs and employment opportunities within the JEDD area.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

- ***Road and Bridge Fund*** This fund receives property tax and intergovernmental revenue money for the constructing, maintaining, and repairing Township roads and bridges.
- ***Police District Fund*** This fund receives property tax and intergovernmental money for maintaining the police department.
- ***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.
- ***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had an Ohio Public Works Commission Fund which received grant money from the Ohio Public Works Commission for road projects.

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

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
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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 2016 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Property, Plant and Equipment

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

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, total appropriations exceeded estimated resources in the Special Revenue Road and Bridge fund by \$235,198 for the year ended December 31, 2016.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,224,555	\$1,261,851	\$37,296
Special Revenue	3,438,467	3,040,893	(397,574)
Capital Projects	93,304	93,304	0
Fiduciary	72,023	0	(72,023)
Total	\$4,828,349	\$4,396,048	(\$432,301)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,730,349	\$1,640,360	\$3,089,989
Special Revenue	3,841,505	2,772,836	1,068,669
Capital Projects	93,304	93,304	0
Fiduciary	75,023	0	75,023
Total	\$8,740,181	\$4,506,500	\$4,233,681

Note 5 – 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:

Demand deposits	2016 \$780,809
Investments:	
STAR Ohio	500,000
Repurchase agreement	3,810,000
Total investments	4,310,000
Total deposits and investments	\$5,090,809

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

Investments: The Township’s financial institution transfers securities to the Township’s agent to collateralize repurchase agreements. The securities are not in the Township’s name. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the

County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 7 – Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

There were no significant reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three years.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members who are not Law Enforcement Professionals contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. OPERS members who are Law Enforcement Professionals contributed 13% and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>
Ohio Public Works Commission	<u>\$100,750</u>

During 2009, the Township received loan proceeds of \$155,000 from the Ohio Public Works Commission (OPWC) to finance road construction projects. This is an interest free loan requiring semi-annual payments of \$3,875 beginning January 1, 2010 and ending July 1, 2029. The OPWC loan payments were paid from the Special Revenue Road and Bridge Fund.

Amortization

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

Year Ending December 31:	Ohio Public Works Commission
2017	\$7,750
2018	7,750
2019	7,750
2020	7,750
2021	38,750
2022-2026	31,000
Total	<u>\$100,750</u>

Note 11 – Contingent Liabilities

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

Note 12 – Jointly Governed Organizations

The North Hills Water District (the District) is a jointly governed organization established to provide for the construction and maintenance of water transmission lines to residents of Northfield Center Township and Sagamore Hills Township. The seven member Board consists of three members appointed by each Township with one member appointed alternately by the Townships. The District’s Board exercises total control over District operations, including budgeting, appropriating, contracting and hiring personnel. All of the District’s revenues are derived from property taxes assessed on the property of Township residents. The City of Cleveland provides water service to the residents and bills them for water service. Financial information can be obtained by writing to the North Hills Water District, 253 West Aurora Road, Northfield Center, Ohio 44067.

Sagamore Hills Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 12 – Jointly Governed Organizations (Continued)

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 Council's operation.

The Northfield Center-Sagamore Hills Joint Fire District (the District) is a jointly governed organization established to provide fire protection and emergency medical services to residents of Northfield Center Township and Sagamore Hills Township. The six member Board consist of the three Trustees of Northfield Center Township and the three Trustees of Sagamore Hills Township. An individual appointed by the Board is in charge of the day to day operations of the District in conjunction with the Fire Chief. The District is funded by Sagamore Hills Township and Northfield Center Township; each contributing their proportional share of actual costs based on the then current tax duplicate as of January 1st of the year. Financial information can be obtained by writing to the Northfield Center-Sagamore Hills Joint Fire District, 60 West Aurora Road, Northfield Center, Ohio 44067. The Northfield Center and Sagamore Hills Township dissolved in September of 2016 at which time Sagamore Hills Township contracted with the City of Macedonia for fire protection and emergency medical services.

The Village of Walton Hills and Sagamore Hills Township Joint Economic Development District (JEDD) is a jointly governed organization established in 2015 in order to facilitate economic development and to create and preserve jobs and employment opportunities within the JEDD area. The five member Board consists of a Township member (initially the Chair of the Board of Township Trustees), a Village member (initially the Mayor of the Village), a representative of the business owners located in the district, a representative of the employees working in the district, and a fifth member appointed by the other four. The JEDD will be funded by an income tax levied on employee earnings and the net profits of businesses throughout the district and the Village will collect, administer, and enforce the income tax. The Township received four quarterly distributions from the JEDD totaling \$380,156.



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Sagamore Hills Township, Summit County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 12, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 12, 2018

**SAGAMORE HILLS TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

Finding for Recovery Repaid Under Audit - Overpayment

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE

Article 15 of the Collective Bargaining Agreement By and Between Sagamore Hills Township and The Ohio Patrolmen’s Benevolent Association for the period of January 1, 2016 through December 31, 2018 approved an hourly rate of \$28.22 to be paid to patrolman Timothy Ellis during 2017 based on his rank and years of service. However, Patrolman Timothy Ellis was paid at an hourly rate of \$28.53 beginning January 1, 2017 which resulted in an overpayment of \$0.31 per hour. This overpayment was the result of a data entry error made by the Township Fiscal Officer, Scott Gale. Review of payroll records documented 2,214.5 regular hours and 292.5 overtime hours were worked in 2017 by Patrolman Ellis. As a result, an overpayment of \$822 occurred as calculated below.

Description	x	Rate Variance	=	Total
2,214.5 regular hours	x	\$0.31 per hr.	=	\$ 686.50
292.5 overtime hours	x	\$0.465 per hr. (\$0.31 x 1.5)	=	136.01
				\$ 822.51

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended may be issued against in the amount of \$822, and in favor of the Sagamore Hills Township Special Revenue Police District Fund, in the amount of \$822.

On November 30, 2018, a full payment was made to the Township from Mr. Ellis' payroll check as authorized by Mr. Ellis.

The Township should implement controls to help ensure employees are paid properly and in compliance with the Collective Bargaining Agreement.

Official’s Response:

Extra controls are in place including a signed copy from the employee verifying pay rate is correct even though there was a transcriber error entering the amount of cents was used from the previous year.

Financial Statement Preparation Internal Controls

<i>Finding Number</i>	2017-002
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MATERIAL WEAKNESS

In our audit engagement letter, as required by **AU-C Section 210, Terms of Engagement**, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following exceptions were noted resulting in adjustments to the financial statements to reflect the proper reporting indicating a deficiency in the design, implementation and maintenance of internal control relevant to preparing and fairly presenting financial statements.

Presentation of Agency Fund

The Township has an agency fund for the purpose of accounting for the faithful performance cash deposit bonds paid by contractors. The December 31, 2017 and 2016 financial statements improperly reported the cash fund balance as an Investment Trust Fund rather than an Agency Fund. As a result, the cash fund balance of \$75,023 was overstated in the Investment Trust Fund and understated in the Agency Fund.

Presentation and Posting of Capital Project Fund On-Behalf Payments from OPWC

In 2016, the Ohio Public Works Commission (OPWC) made six payments to a vendor on behalf of the Township. One of these payments, of \$93,304 was not recorded within the Township's accounting system, resulting in the understatements of the reporting of both Capital Projects Intergovernmental Revenue and Capital Outlay Disbursements of \$93,304. The appropriation and recording of on-behalf monies is not only required by statute, but is a key control in the reporting process to assure the financial statements are properly and accurately presented. Refer to Ohio Rev. Code § 5705.42 on grants or loans procedures when aid in paying the cost of any program, activity or function by any political subdivision. Also, refer to the Auditor of State (AoS) Bulletin 1997-006 and AoS Bulletin 2000-008.

Presentation and Posting of General Fund Emergency Medical Services Billing Receipts

The Township received Emergency Medical Services (EMS) revenue from the City of Macedonia for contracted EMS services provided by the City for Township residents. During 2017, the Township recorded \$197,994 of these collections as Intergovernmental receipts rather than Charges for Services receipts which resulted in an understatement of General Fund-Charges for Services receipts and an overstatement of General Fund-Intergovernmental receipts in the amount of \$197,994. As the substance of the transactions is to provide services, the EMS activity should be recorded as Charges for Services.

Presentation of General Fund Fund-Balance Classifications

For 2017 and 2016, the Township's Financial Statements did not properly report the General Fund balances appropriated in the next fiscal year as assigned fund balance of \$3,309,971 and \$3,330,217, respectively. In addition, for 2016, the outstanding encumbrance at year-end of \$1,282 was not properly classified. As a result, the General Fund unassigned fund balance was overstated and the assigned fund balance was understated by \$3,309,971 and \$3,331,499, respectively. *Refer to Governments preparing regulatory statements are required to implement Governmental Accounting Standards Board (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement 54 guidelines further require encumbered amounts which are not reported within restricted, committed or assigned fund balances classifications to be reported as either committed or assigned fund balances. For additional information refer to AoS Bulletin 2011-004.*

Posting and Presentation of General Fund Joint Economic Development District Receipts

The Village of Walton Hills and Sagamore Hills Township Joint Economic Development District (JEDD) were established in 2015. The Village collects, administers, enforces and distributes the income tax. During 2017 and 2016, the Township received four quarterly distributions from the JEDD totaling \$360,411 and \$380,156, respectively. The Township incorrectly reported the JEDD receipts as General Fund Property and Other Local Taxes rather than as General Fund Intergovernmental Receipts contrary to AoS Bulletin 2009-004.

Reporting of Financial Statement Footnote Disclosure

As the footnote disclosures are an integral part of the financial statements, complete and accurate footnote disclosure is imperative to the readers of the financial statements. The 2017 and 2016 footnote disclosure comprised of various errors and omissions. As an example, the Budgetary Activity note included Budgeted Receipts and Appropriation Authority amounts which did not agree to the respective Final Amended Certificate and adopted appropriation measure. The Deposits and Investments notes reflected the bank statement balances as opposed to the carrying amount and the 2017 Deposit and Investments disclosure was not updated for current year information (i.e., reflected 2016 information). The Debt disclosures included incorrect year end outstanding balances for the OPWC.

The accompanying financial statements and footnote disclosures were corrected to reflect the aforementioned activities.

To help ensure the financial statements are presented properly, the Township should review the design, implementation and maintenance of internal controls relevant to preparing and fairly presenting financial statements and updated and/or clarify the procedures and expected practices and develop appropriate procedures to help ensure proper reporting and compliance. The Township should develop procedures to help ensure all receipts and disbursements activities are properly recorded in the Township's accounting system and subsequently on the annual Financial Statements.

Official's Response:

Personal property tax reimbursements for the General Fund, Road & Bridge Fund and Police Fund were not calculated and entered into the Revenue of the township by the Summit County Fiscal Office in 2016 and 2017.

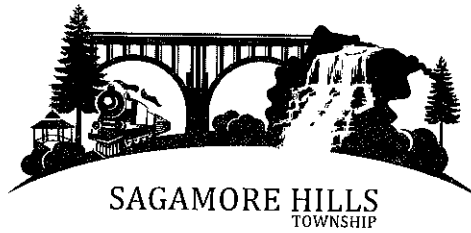
The Summit County Common Pleas court eventually ruled in 2018 to allow funds from the Agency Fund transferred to the General Fund and this was performed and submitted to the Summit County Fiscal Officer's Office.

Official documentation of OPWC was received in January, 2018 after the financial records of the township were done and the Fiscal Officer self-reported to Auditor to make the adjustment.

EMS revenues in the past were posted as intergovernmental funds from other government entities and the Fiscal Officer will move future receipts to charged services.

Income Tax collected on employee in facilities within the JEDD district of Sagamore Hills will be designated in the future as Intergovernmental receipts from the Village of Walton Hills and not as a charged service.

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11551 Valley View Road • Sagamore Hills, Ohio 44067-1099

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	<p>Ohio Rev. Code §5705.42 – On behalf OPWC payments were not recorded. Additionally, the expenditures associated with OPWC payments which were posted to the accounting system were misclassified.</p>	Partially Corrected	<p>See Finding No. 2017-002 An OPWC on-behalf payment was not recorded within the Township's accounting system due to the Township being notified of the on-behalf payment after year end when the books were already closed.</p>
2015-002	<p>The Township had an Agency Fund for the purpose of accounting for the faithful performance cash deposit bonds paid by contractors for which a balance of \$75,023 existed at the end of 2015, although there had been no activity since 2007. The Township moved this money to the General Fund without official resolution and without court to the General Fund.</p>	Not Corrected	<p>See Finding No. 2017-002 The 2017 and 2016 financial statements reported the \$75,023 in an Investment Trust Fund rather than the Agency Fund. The Township is still awaiting court approval to move this money to the General Fund.</p>

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Dave Yost • Auditor of State

SAGAMORE HILLS TOWNSHIP

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2018**