



Dave Yost • Auditor of State

SHARON TOWNSHIP
NOBLE COUNTY

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Dave Yost • Auditor of State

Sharon Township
Noble County
14475 Fogle Road
Caldwell, Ohio 43724

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 13, 2012

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Dave Yost • Auditor of State

Sharon Township
Noble County
14475 Fogle Road
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 does 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, 2011 and 2010, or its changes in financial position for the years then ended.

During 2010, the Fiscal Officer paid \$2,114 of the Fiscal Officer's Ohio Public Employee Retirement System payments from Gasoline Tax Fund, Special Revenue Fund type, instead of from the General Fund. Had this 2010 adjustment been properly posted to the financial statements and the Township's accounting system, the General Fund's December 31, 2010 cash fund balance would have been decreased by \$2,114 and the General Government expenditures would have been increased by \$2,114. Also, Special Revenue Fund's December 31, 2010 cash fund balance would have been increased by \$2,114 and the Public Work expenditures would have been decreased by \$2,114. Due to the impact this adjustment would have on the December 31, 2010 General Fund cash fund balance, the Township declined to make this adjustment this audit period.

During 2011, the Fiscal Officer paid \$615 of the Board of Trustee's Ohio Public Employee Retirement System (OPERS) employee and employer-share payments from the Gasoline Tax Fund, Special Revenue Fund type, instead of from the General Fund. Also, in 2011 the Fiscal Officer improperly posted some receipts to incorrect funds. As a result of these receipt mispostings, the General Fund's December 31, 2011 cash balance will decrease by \$2,377, the Special Revenue Fund's December 31, 2011 cash balance will increase by \$2,377 (See Finding 2011-003). Had these 2011 adjustments been properly posted to the financial statements and the Township's accounting system, the General Fund's December 31, 2011 cash fund balance would have been decreased by \$2,992 and the General Government expenditures would have been increased by \$615 and the Intergovernmental revenues would have been decreased by \$2,377. The cumulative effect of these 2011 adjustments and the 2010 adjustment would decrease the General Fund's cash fund balance by \$5,106. Also, the Special Revenue Fund's December 31, 2011 cash fund balance would have been increased by \$2,922 and the Public Work expenditures would have been decreased by \$615 and the Intergovernmental revenues would have been increased by \$2,377. The cumulative effect of these 2011 adjustments and the 2010 adjustment would increase the Special Revenue Fund's cash fund balance by \$5,106. Due to the impact this adjustment would have on the December 31, 2011 General Fund cash fund balance, the Township declined to make this adjustment this audit period. See Note 8.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in all material respects, the fund cash balances of the General Fund of Sharon Township, Noble County as of December 31, 2011 and 2010, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In our opinion, the financial statements referred to above for the years ended December 31, 2011 and 2010 do present fairly, in all material respects, the combined fund cash balances of the Special Revenue and Permanent Funds of Sharon Township, Noble County as of December 31, 2011 and 2010, and their combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8, the Township is experiencing financial difficulties in the General Fund. Management has declined to post the aforementioned adjustments due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 8 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 2, during 2011 Sharon Township, Noble County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

November 13, 2012

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**SHARON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 11,729	\$ 3,462	\$0	\$ 15,191
Intergovernmental	10,279	94,176	0	104,455
Earnings on Investments	171	254	1	426
Miscellaneous	0	160	0	160
Total Cash Receipts	22,179	98,052	1	120,232
Cash Disbursements				
Current:				
General Government	30,481	372	69	30,922
Public Works	2,950	74,888		77,838
Debt Service:				
Principal Retirement	4,591	4,591		9,182
Total Cash Disbursements	38,022	79,851	69	117,942
Excess of Cash Receipts Over (Under) Cash Disbursements	(15,843)	18,201	(68)	2,290
Fund Cash Balances, January 1	16,471	166,726	1,117	184,314
Fund Cash Balances, December 31				
Restricted		184,927		184,927
Assigned			1,049	1,049
Unassigned (Deficit)	628			628
Fund Cash Balances, December 31	\$ 628	\$ 184,927	\$ 1,049	\$ 186,604

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

**SHARON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property Tax and Other Local Taxes	\$ 11,753	\$ 3,457	\$ 0	\$ 15,210
Intergovernmental	7,496	98,263		105,759
Earnings on Investments	421	540	2	963
Total Cash Receipts	<u>19,670</u>	<u>102,260</u>	<u>2</u>	<u>121,932</u>
Cash Disbursements				
Current:				
General Government	30,045	731		30,776
Public Works	16,573	62,197		78,770
Other	136			136
Debt Service:				
Principal Retirement	5,510	5,510		11,020
Total Cash Disbursements	<u>52,264</u>	<u>68,438</u>	<u>0</u>	<u>120,702</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(32,594)</u>	<u>33,822</u>	<u>2</u>	<u>1,230</u>
Fund Cash Balances, January 1 (Restated - See Note 2)	<u>49,065</u>	<u>132,904</u>	<u>1,115</u>	<u>183,084</u>
Fund Cash Balances, December 31	<u>\$ 16,471</u>	<u>\$ 166,726</u>	<u>\$ 1,117</u>	<u>\$ 184,314</u>

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

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Sharon Township, Noble 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, and fire protection. The Township contracts with the Village of Caldwell to provide fire services.

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

The Township had one primary, interest bearing checking account and one interest bearing savings account during the audit period.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 Fund:

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

SHARON TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

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

2. A. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. B. Restatement of Fund Balance

For the year ended December 31, 2009, a prior audit adjustment was made by the Fiscal Officer to incorrect funds that result in a fund balance restatement as follows:

<u>Governmental Fund:</u>	<u>Fund Balance at December 31, 2009</u>	<u>Restatement Amount</u>	<u>Fund Balance at January 1, 2010</u>
General Fund	\$ 49,061	\$ 4	\$ 49,065
Special Revenue	133,233	(329)	132,904
Permanent	790	325	1,115

3. Equity in Pooled Deposits

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

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$186,604</u>	<u>\$184,314</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$18,855	\$22,179	\$3,324
Special Revenue	101,885	98,052	(3,833)
Permanent	10	1	(9)
Total	<u>\$120,750</u>	<u>\$120,232</u>	<u>(\$518)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$0	\$38,022	(\$38,022)
Special Revenue	0	79,851	(79,851)
Permanent	0	69	(69)
Total	<u>\$0</u>	<u>\$117,942</u>	<u>(\$117,942)</u>

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$18,095	\$19,670	\$1,575
Special Revenue	98,725	102,260	3,535
Permanent	10	2	(8)
Total	<u>\$116,830</u>	<u>\$121,932</u>	<u>\$5,102</u>

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,077	\$52,264	\$13,813
Special Revenue	232,322	68,438	163,884
Permanent	1,515	0	1,515
Total	\$299,914	\$120,702	\$179,212

Contrary to Ohio law, the Township did not encumber all commitments required by Ohio law. Also, contrary to Ohio law, the Township did not file its permanent appropriations with the County Auditor for 2011 and filed the appropriations late for 2010. Also, contrary to Ohio law, the Township had expenditures in excess of appropriations.

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.

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. Retirement Systems

The Township's employees and officials 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. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. Risk Management

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health, vision, dental and life insurance coverage to elected officials through private carriers.

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Financial Difficulties

At December 31, 2011, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2010 that the management of the Township declined to make in 2010):

<u>Fund</u>	<u>12/31/11 Balance</u>	<u>Adjustments Not Made</u>	<u>Effect on 12/31/11 Balance</u>
General	\$628	(\$5,106)	(\$4,478)
Special Revenue	184,927	5,106	190,033

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type affect the Road and Bridge Fund, in the amount of (\$563), the Permissive MVL Fund, in the amount of (\$184), the Gasoline Tax Fund, in the amount of \$2,729 and the Motor Vehicle License Fund, in the amount of \$3,124.



Dave Yost • Auditor of State

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

Sharon Township
Noble County
P.O. Box 384
Lowell, OH 45744

To the Board of Trustees:

We have audited the financial statements of Sharon Township, Noble County Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 13, 2012, wherein we expressed an adverse opinion on the 2011 and 2010 General Fund due to certain misstatements of receipts and expenditures in the financial statements. In addition, we noted the Township's General Fund is experiencing financial difficulties and the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. The Township also adopted Governmental Accounting Standards Board Statement No. 54 for 2011. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 opinions 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003, 2011-007, and 2011-008 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-06.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 13, 2012.

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



Dave Yost
Auditor of State

November 13, 2012

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Finding for Adjustment/Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Management Letter of Sharon Township for the years ending December 31, 2007 and 2006, which was released on December 18, 2008.

As of September 29, 2011, Ohio Rev. Code Section 505.24(C) was amended to require in part that whenever members of a board of township trustees are compensated per diem and not by annual salary, the board shall establish, by resolution, a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days.

By unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

The Board of Trustees established administrative procedures and prepared documentation for how they spent their time and the type of services performed. The Township allocated salary charges to the funds as documented in Board of Trustee's timesheets. For the audit period January 1, 2011 to December 31, 2011, the Fiscal Officer did not allocate the Board of Trustee corresponding benefits for Ohio Public Employees Retirement System (OPERS) employer and employee share of retirement payments to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings, in the amount of \$615. The Trustee's employee and employer share of OPERS were paid entirely from the Gasoline Tax Fund during 2011.

A finding for adjustment is hereby issued against the Sharon Township General Fund, in the amount of \$615 and in favor of the Sharon Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$615. The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend that the Fiscal Officer pay the Trustees' salaries from the appropriate fund(s) based on the services rendered by the Trustees. In addition, fringe benefits, including payroll taxes and insurance, should be allocated in the same proportion as salaries.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-002

Finding for Adjustment/Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 507.09(C) states, in part, a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund.

For the audit period January 1, 2010 to December 31, 2010, the Fiscal Officer charged a portion of her Ohio Public Employees Retirement System (OPERS) employer and employee share for retirement payments from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$2,114. The Fiscal Officer's 2010 salary was paid entirely from the General Fund.

A finding for adjustment is hereby issued against the Sharon Township General Fund, in the amount of \$2,114 and in favor of the Sharon Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$2,114. The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend that the Fiscal Officer pay the Trustees' salaries from the appropriate fund(s) based on the services rendered by the Trustees. In addition, fringe benefits, including payroll taxes and insurance, should be allocated in the same proportion as salaries.

FINDING NUMBER 2011-003

Finding for Adjustment/Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During 2010, the Fiscal Officer incorrectly posted \$1,591 of motor vehicle license tax revenues to the Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, instead of the Motor Vehicle License Tax Fund, Special Revenue Fund type.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Sharon Township Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$1,591 and in favor of the Sharon Township Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$1,591 for 2010.

During 2011, the Fiscal Officer misposted the following:

Misposting Source	General	Special Revenue Funds		
		Road & Bridge	Permissive MVL	MVL
MVL revenues	(\$2,332)			\$2,332
MVL revenues			(\$792)	792
Homestead & rollback revenues	(250)	\$250		
Permissive MVL revenues	(608)		608	
Homestead & rollback revenues	813	(813)		
net adjustment	(\$2,377)	(\$563)	(\$184)	\$3,124

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-003 (Continued)

Finding for Adjustment/Material Weakness/Noncompliance Citation (Continued)

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Sharon Township General Fund, in the amount of \$2,377, Road and Bridge Fund, Special Revenue Fund type, in the amount of \$563, Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$184 and in favor of the Sharon Township Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$3,124 for 2011.

The Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

FINDING NUMBER 2011-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such 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 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 exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate 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. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-004 (Continued)

Noncompliance Citation (Continued)

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.

The Township did not properly certify the availability of funds prior to purchase commitment for ninety-three percent of the expenditures tested in 2011 and eighty-nine percent of the expenditures tested in 2010, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

FINDING NUMBER 2011-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2010, at the legal level of control:

SHARON TOWNSHIP
NOBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-005 (Continued)

Noncompliance Citation (Continued)

Line Item	Appropriation Authority	Actual Expenditures	Variance
1000-110-121	\$17,500	\$17,998	(\$498)
1000-110-211	0	1,243	(1,243)
1000-110-314	385	839	(454)
1000-190-229	0	704	(704)
1000-330-420	0	3,732	(3,732)
1000-330-490	0	907	(907)
1000-410-420	0	15,118	(15,118)
2021-330-211	4,250	5,579	(1,329)
2021-330-229	0	878	(878)
2231-330-599	2,412	1,737	675

Expenditures exceeded appropriations at December 31, 2011 in all funds due to no temporary or permanent appropriations being approved and filed with the County Auditor.

This could result in the Township spending more money than is available.

We recommend the Fiscal Officer monitor budgetary expenditures and appropriations and ensure that the total expenditures from each fund shall not exceed the total appropriations.

FINDING NUMBER 2011-006

Noncompliance Citation

Ohio Rev. Code Section 5705.38 (A) states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

For 2011, no temporary or permanent appropriations were approved in the minutes, and no permanent appropriations were filed with the County Auditor.

For 2010, no temporary or permanent appropriations were approved in the minutes, and the permanent appropriations were filed with the County Auditor on December 07, 2010.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-006 (Continued)

Noncompliance Citation (Continued)

We recommend the Board of Trustees ensure its annual appropriation resolution is passed in a timely manner and file such appropriations with the County Auditor. If the Board of Trustees passes a temporary appropriation measure, the measure should provide detail such as fund, function and amount. Also, the Fiscal Officer should deny requests for payments when appropriations are not available.

FINDING NUMBER 2011-007

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2011, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers or the budgetary statements for the following funds:

Fund	Estimated Receipts per County Budget Commission	Estimated Receipts per Township's Accounting System	Variance
General	\$18,855	\$49,606	(\$30,751)
MVL	9,370	21,978	(12,608)
Gasoline Tax	87,880	212,582	(124,702)
Road & Bridge	3,950	6,008	(2,058)
Permissive MVL	685	2,116	(1,431)
Cemetery Bequest	10	1,515	(1,505)

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-007 (Continued)

Material Weakness (Continued)

At December 31, 2010, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers or the budgetary statements for the following funds:

Fund	Estimated Receipts per County Budget Commission	Estimated Receipts per Township's Accounting System	Variance
General	\$18,095	\$37,135	(\$19,040)
MVL	9,290	10,658	(1,368)
Gasoline Tax	85,000	88,683	(3,683)
Road & Bridge	3,760	3,453	307
Permissive MVL	675	0	675
Cemetery Bequest	10	0	10

At December 31, 2011, appropriations as approved by the Township Trustees did not agree to the Township's ledgers or the budgetary statements for the following funds:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
General	\$0	\$66,077	(\$66,077)
MVL	0	21,978	(21,978)
Gasoline Tax	0	201,924	(201,924)
Road & Bridge	0	6,008	(6,008)
Permissive MVL	0	2,412	(2,412)
Cemetery Bequest	0	1,515	(1,515)

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-007 (Continued)

Material Weakness (Continued)

At December 31, 2010, appropriations as approved by the Township Trustees did not agree to the Township's ledgers or the budgetary statements for the following funds:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
General	\$66,077	\$85,117	(19,040)
MVL	21,978	23,346	(1,368)
Gasoline Tax	201,924	205,607	(3,683)
Road & Bridge	6,008	5,701	307
Permissive MVL	2,412	1,737	675
Cemetery Bequest	1,515	1,505	10

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note 4 in the Notes to the Financial Statements.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

FINDING NUMBER 2011-008

Material Weakness

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.

As a result of the audit procedures performed, we noted the following mispostings in the financial statements that required audit reclassification:

2011

- Homestead and Rollback posted to Taxes instead of Intergovernmental revenue in the General Fund (\$250);
- Homestead and Rollback posted to Miscellaneous instead of Intergovernmental revenue in the Road and Bridge Fund (\$243);
- Debt payments posted to Other instead of Principal in General Fund (\$4,591) and Gasoline Tax Fund (\$4,591);
- Taxes were posted at net instead of gross in the General Fund (\$534) and Road and Bridge Fund (\$157).

SHARON TOWNSHIP
NOBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-008 (Continued)

Material Weakness (Continued)

2010

- Debt payments posted to Other expenditures instead of Principal in General Fund (\$5,510), Gasoline Tax Fund (\$3,214), Road and Bridge Fund (\$559) and Permissive MVL Fund (\$1,737);
- Tax settlements posted at net instead of gross in General Fund (\$949) and Road and Bridge Fund (\$279);
- Personal Property Tax Reimbursement posted to Taxes instead of Intergovernmental in General Fund (\$467) and Road and Bridge Fund (\$137);
- Personal Property Tax Replacement posted to Taxes instead of Intergovernmental in General Fund (\$282) and Road and Bridge Fund (\$177);
- Real Estate tax settlement posted to Intergovernmental instead of Taxes in General Fund (\$4,540);
- Homestead and Rollback posted to Taxes instead of Intergovernmental in General Fund (\$1,087); and
- Permissive Motor Vehicle License Tax posted to Taxes instead of Intergovernmental in Permissive MVL Fund (\$685).

These misstatements were caused by management oversight. As a result, significant reclassifications, with which the Township's management agrees, were made to the financial statements, and are reflected in the accompanying financial statements.

Officials Response:

The Township declined responding to any of the findings.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41D.	No	Reissued as Finding 2011-004
2009-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.38 (A) and 5705.41(B) for expenditures being made without appropriations being approved	No	Reissued as Finding 2011-006
2009-003	A material weakness resulting in fund balance adjustments	No	Reissued as Findings 2011-003 and 2011-008



Dave Yost • Auditor of State

SHARON TOWNSHIP

NOBLE 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
NOVEMBER 29, 2012