



**SHARON TOWNSHIP
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

SHARON TOWNSHIP
RICHLAND COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Sharon Township
Richland County
23 West Main Street
Shelby, Ohio 44875

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Richland County, (the Township) as of and for the years ended December 31, 2001 and 2000. 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 audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

Jim Petro
Auditor of State

February 20, 2002

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**SHARON TOWNSHIP
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$26,183 | \$101,311 | | \$127,494 |
| Intergovernmental | 79,067 | 62,524 | | 141,591 |
| Charges for Services | 6,075 | | | 6,075 |
| Licenses, Permits, and Fees | 142 | | | 142 |
| Earnings on Investments | 9,455 | 3,897 | | 13,352 |
| Contributions and Donations | | | \$16,312 | 16,312 |
| | <u>120,922</u> | <u>167,732</u> | <u>16,312</u> | <u>304,966</u> |
| Total Cash Receipts | | | | |
| | <u>120,922</u> | <u>167,732</u> | <u>16,312</u> | <u>304,966</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 73,100 | 40,269 | | 113,369 |
| Public Safety | 22,500 | | | 22,500 |
| Public Works | | 67,698 | | 67,698 |
| Capital Outlay | | 850 | 2,367 | 3,217 |
| | <u>95,600</u> | <u>108,817</u> | <u>2,367</u> | <u>206,784</u> |
| Total Cash Disbursements | | | | |
| | <u>95,600</u> | <u>108,817</u> | <u>2,367</u> | <u>206,784</u> |
| Total Cash Receipts Over Cash Disbursements | 25,322 | 58,915 | 13,945 | 98,182 |
| Fund Cash Balances, January 1 | 134,687 | 176,986 | 2,199 | 313,872 |
| Fund Cash Balances, December 31 | <u><u>\$160,009</u></u> | <u><u>\$235,901</u></u> | <u><u>\$16,144</u></u> | <u><u>\$412,054</u></u> |
| Reserves for Encumbrances, December 31 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

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

**SHARON TOWNSHIP
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$20,762 | \$109,657 | | \$130,419 |
| Intergovernmental | 39,034 | 61,057 | \$67,428 | 167,519 |
| Charges for Services | 6,074 | | | 6,074 |
| Licenses, Permits, and Fees | 440 | | | 440 |
| Earnings on Investments | 10,236 | 4,482 | | 14,718 |
| Contributions and Donations | | | 2,235 | 2,235 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 76,546 | 175,196 | 69,663 | 321,405 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 71,284 | 51,703 | | 122,987 |
| Public Safety | | 20,000 | | 20,000 |
| Public Works | | 78,086 | | 78,086 |
| Capital Outlay | | 3,861 | 67,464 | 71,325 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 71,284 | 153,650 | 67,464 | 292,398 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 5,262 | 21,546 | 2,199 | 29,007 |
| Other Financing Receipts/(Disbursements): | | | | |
| Transfers-In | | 20,000 | | 20,000 |
| Transfers-Out | (20,000) | | | (20,000) |
| Sale of Fixed Assets | 1,000 | | | 1,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | (19,000) | 20,000 | 0 | 1,000 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (13,738) | 41,546 | 2,199 | 30,007 |
| Fund Cash Balances, January 1 | 148,425 | 135,440 | 0 | 283,865 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | \$134,687 | \$176,986 | \$2,199 | \$313,872 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Reserves for Encumbrances, December 31 | \$0 | \$0 | \$0 | \$0 |

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

**SHARON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sharon Township, Richland County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general government services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the City of Shelby to provide fire protection and with Medic Response Ambulance Service, Inc., to provide ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**SHARON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Permissive Sales Tax Fund - This fund receives sales tax money for road resurfacing projects.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Funds:

Issue II Fund - The City of Shelby is the recipient of an Ohio Public Works Commission Grant for a county paving project in which the Township participates as a subrecipient.

Morton Schoolhouse Fund - This fund receives contributions and donations for the restoration of the Morton Schoolhouse.

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. During 2001 and 2000, the Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**SHARON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused sick leave. Unpaid sick leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2001</u> | <u>2000</u> |
|--------------------------------|-------------------------|-------------------------|
| Demand deposits | \$73,630 | \$45,168 |
| Investments (STAR Ohio) | <u>338,424</u> | <u>268,704</u> |
| Total deposits and investments | <u><u>\$412,054</u></u> | <u><u>\$313,872</u></u> |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|-------------------------|-------------------------|------------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$73,835 | \$120,922 | \$47,087 |
| Special Revenue | 151,726 | 167,732 | 16,006 |
| Capital Projects | <u>20,000</u> | <u>16,312</u> | <u>(3,688)</u> |
| Total | <u><u>\$245,561</u></u> | <u><u>\$304,966</u></u> | <u><u>\$59,405</u></u> |

**SHARON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$212,343 | \$95,600 | \$116,743 |
| Special Revenue | 324,893 | 108,817 | 216,076 |
| Capital Projects | 22,199 | 2,367 | 19,832 |
| Total | \$559,435 | \$206,784 | \$352,651 |

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$76,666 | \$77,546 | \$880 |
| Special Revenue | 167,855 | 195,196 | 27,341 |
| Capital Projects | 72,429 | 69,663 | (2,766) |
| Total | \$316,950 | \$342,405 | \$25,455 |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$225,091 | \$91,284 | \$133,807 |
| Special Revenue | 303,296 | 153,650 | 149,646 |
| Capital Projects | 5,000 | 67,464 | (62,464) |
| Total | \$533,387 | \$312,398 | \$220,989 |

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify the availability of funds for certain expenditures during 2001 and 2000.

5. PROPERTY TAX

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

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

**SHARON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. PROPERTY TAX (Continued)

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

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

6. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Township also provides medical insurance to their full-time employee and life and disability insurance for the Trustees, Clerk and full-time employee through a private carrier.

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

Sharon Township
Richland County
23 West Main Street
Shelby, Ohio 44875

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Richland County, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 20, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-40570-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 20, 2002.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 20, 2002.

Sharon Township
Richland County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

February 20, 2002

SHARON TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

Noncompliance Citation

FINDING NUMBER 2001-40570-001

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

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During the audit period, 28% of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance.

The Township should certify the availability of expenditures and also implement the use of Then and Now Certificates or Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D). The Clerk has taken steps during 2001 to improve on the certification process.

This matter was also reported in the prior year audit report.

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**SHARON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|---|
| 1999-40570-001 | ORC Section 5705.41 (D) , failure to certify funds | No | Not corrected, citation repeated in report. See 2001-40570-001. |



STATE OF OHIO
OFFICE OF THE AUDITOR

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SHARON TOWNSHIP

RICHLAND 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
APRIL 4, 2002**