

**SHARON TOWNSHIP**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND DECEMBER 31, 2002





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Sharon Township

We have reviewed the Independent Auditor's Report of the Sharon Township, Medina County, prepared by Gary B. Fink & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

June 16, 2004

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**SHARON TOWNSHIP, OHIO  
MEDINA COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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**SHARON TOWNSHIP**

**ELECTED OFFICIALS  
AS OF DECEMBER 31, 2003**

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
Jim Dudek	Trustee	04/01/00-12/31/03	(A)	\$5,000	01/01/00- 12/31/04
Emil Bolas	Trustee	01/01/02-12/31/05	(A)	\$5,000	01/01/02- 01/01/06
Raymond Lurtz	Trustee	01/01/02-12/31/05	(A)	\$5,000	01/01/02- 01/01/06
Kimberly Bolas-Miller	Clerk	04/01/00-03/31/04	(A)	\$8,000	04/01/00- 03/31/04

(A) Ohio Township Association Risk Management Authority

**STATUTORY LEGAL COUNSEL**

Mr. Dean Holman  
Prosecutor  
Medina County Prosecutors Office  
60 Public Square  
Medina, OH 44258

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Sharon Township, Medina County  
PO Box 7  
Sharon Center, OH 44274

We have audited the accompanying financial statements of Sharon Township, Medina County (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, as listed in the table of contents. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As described 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Sharon Township as of December 31, 2003 and December 31, 2002, and its 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 May 17, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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 audit.

**INDEPENDENT AUDITOR'S REPORT** (continued)

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

May 17, 2004



**Sharon Township, Ohio**  
**Medina County**  
**Combined Statement of Cash Receipts, Cash Disbursements and**  
**Changes in Fund Cash Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2003**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
<b>Cash Receipts</b>				
Local Taxes	\$192,200	\$594,816	\$0	\$787,016
Intergovernmental	172,739	151,694	82,378	406,811
Licenses, Permits and Fees	12,917	1,400	0	14,317
Fines, Forfeitures and Penalties	204	0	0	204
Interest	12,280	34	0	12,314
Other	40,968	180	0	41,148
<b>Total Cash Receipts</b>	<b>431,308</b>	<b>748,124</b>	<b>82,378</b>	<b>1,261,810</b>
<b>Cash Disbursements</b>				
General Government	255,633	0	0	255,633
Public Safety	69,444	282,380	0	351,824
Public Works	36,980	297,694	0	334,674
Health	727	402	0	1,129
Conservation and Recreation	8,732	0	0	8,732
Capital Outlay	206,164	61,538	26,367	294,069
<b>Total Cash Disbursements</b>	<b>577,680</b>	<b>642,014</b>	<b>26,367</b>	<b>1,246,061</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(146,372)</b>	<b>106,110</b>	<b>56,011</b>	<b>15,749</b>
<b>Other Financing Receipts/(Disbursements)</b>				
Advance In	0	230	0	230
Advance Out	(230)	0	0	(230)
<b>Total Other Financing Receipts/ (Disbursements)</b>	<b>(230)</b>	<b>230</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(146,602)</b>	<b>106,340</b>	<b>56,011</b>	<b>15,749</b>
Fund Cash Balances, January 1, 2003	510,494	828,405	0	1,338,899
Fund Cash Balances, December 31, 2003	<u>\$363,892</u>	<u>\$934,745</u>	<u>\$56,011</u>	<u>\$1,354,648</u>
Reserve For Encumbrances	<u>\$41,364</u>	<u>\$53,483</u>	<u>\$0</u>	<u>\$94,847</u>

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

**Sharon Township, Ohio**  
**Medina County**  
**Combined Statement of Cash Receipts, Cash Disbursements and**  
**Changes in Fund Cash Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2002**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
<b>Cash Receipts</b>				
Local Taxes	\$190,628	\$590,884	\$0	\$781,512
Intergovernmental	172,342	144,848	148,791	465,981
Licenses, Permits and Fees	10,078	1,450	0	11,528
Fines, Forfeitures and Penalties	62	0	0	62
Special Assessments	0	314	0	314
Interest	16,313	189	0	16,502
Other	41,179	145	0	41,324
<b>Total Cash Receipts</b>	<b>430,602</b>	<b>737,830</b>	<b>148,791</b>	<b>1,317,223</b>
<b>Cash Disbursements</b>				
General Government	276,153	188,587	0	464,740
Public Safety	57,348	261,389	0	318,737
Public Works	51,371	3,352	0	54,723
Health	3,214	0	0	3,214
Conservation and Recreation	10,301	0	0	10,301
Capital Outlay	0	0	148,791	148,791
<b>Total Cash Disbursements</b>	<b>398,387</b>	<b>453,328</b>	<b>148,791</b>	<b>1,000,506</b>
<b>Total Receipts Over Disbursements</b>	<b>32,215</b>	<b>284,502</b>	<b>0</b>	<b>316,717</b>
Fund Cash Balances, January 1, 2002	478,279	543,903	0	1,022,182
Fund Cash Balances, December 31, 2002	<u>\$510,494</u>	<u>\$828,405</u>	<u>\$0</u>	<u>\$1,338,899</u>
Reserve for Encumbrances	<u>\$19,071</u>	<u>\$47,944</u>	<u>\$0</u>	<u>\$67,015</u>

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

**Sharon Township, Ohio**  
**Medina County**  
**Statements of Cash Receipts, Cash Disbursements and**  
**Changes in Fund Cash Balances - Nonexpendable Trust Fund**  
**For the Years Ended December 31, 2003 and December 31, 2002**

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	Fiduciary Fund Types	
	2003 Nonexpendable Trust	2002 Nonexpendable Trust
Fund Cash Balances, January 1,	<u>\$1,000</u>	<u>\$1,000</u>
Fund Cash Balances, December 31,	<u><u>\$1,000</u></u>	<u><u>\$1,000</u></u>

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

SHARON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Sharon Township, Medina County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. . The Township contracts with the Medina County Sheriff's Department to provide police protection to the residents of the Township.

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 (ie., 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 Cash Equivalents

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. The Township invested funds in short-term repurchase agreements through a cash management program offered by a local bank. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

The repurchase agreement and certificate of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values 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:

SHARON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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.

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Fire Levy Fund - This fund is used to account for a portion of property tax revenue received and used to provide fire protection services for the Township.

**Capital Projects Funds** – These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township has the following significant capital projects fund:

Issue II Fund – This fund is used to account for Issue II grant proceeds used to fund local road construction projects.

**Fiduciary Fund (Trust Funds)** – This fund is used to account for resources restricted by legally binding trust agreement and funds for which the Township is acting in an agency capacity. The Township has the following fiduciary fund:

Cemetery Trust Fund – This fund receives donations for the maintenance of the Cemetery.

E. Budgetary Process

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

**Appropriations** - Budgetary expenditures (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. 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 also approve estimated resources.

SHARON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

**Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave 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 investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$21,394	\$194,518
Certificates of deposit	200,000	0
Total Investments	221,394	194,518
STAR Ohio	639,254	830,381
Repurchase agreement	495,000	315,000
Total Investments	1,134,254	1,145,381
Total Deposits and Investments	<u>\$1,355,648</u>	<u>\$1,339,899</u>

Deposits

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

Investments

The Township has invested in STAR Ohio and repurchase agreements. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The repurchase agreements are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

SHARON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$375,987	\$431,308	\$55,321
Special Revenue	706,493	748,124	41,631
Capital Projects	83,011	82,378	(633)
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total	<u>\$1,165,491</u>	<u>\$1,261,810</u>	<u>\$96,319</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$819,807	\$619,044	\$200,763
Special Revenue	1,365,093	695,497	669,596
Capital Projects	652	26,367	(25,715)
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total	<u>\$2,185,552</u>	<u>\$1,340,908</u>	<u>\$844,644</u>

2002 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$406,027	\$430,602	\$24,575
Special Revenue	672,816	737,830	65,014
Capital Projects	148,791	148,791	0
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total	<u>\$1,227,634</u>	<u>\$1,317,223</u>	<u>\$89,589</u>

SHARON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY** (continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$825,241	\$417,458	\$407,783
Special Revenue	1,198,491	501,272	697,219
Capital Projects	0	148,791	(148,791)
Total	\$2,023,732	\$1,067,521	\$956,211

4. **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 property located within the Township.

Tangible personal property tax is assessed to 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.

5. **RETIREMENT SYSTEMS**

Employees belong to the Public Employees Retirement System (PERS) of Ohio, PERS is a cost-sharing, multiple-employer defined pension 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Township has paid all contributions required through December 31, 2003.



SHARON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

6. **RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

7. **CONTRACT DISPUTE**

At year end 2003, the Township was disputing contract amounts related to construction of a road maintenance building. Estimates of damages and other costs due to the Township range from \$20,000 to \$50,000.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Sharon Township, Medina County  
PO Box 7  
Sharon Center, OH 44274

We have audited the financial statements of Sharon Township, Medina County (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated May 17, 2004. 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 *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 and contracts, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township, in a separate letter dated May 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township, in a separate letter dated May 17, 2004.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

May 17, 2004





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SHARON TOWNSHIP**

**MEDINA 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  
JULY 1, 2004**