



**Auditor of State
Betty Montgomery**

SHARON TOWNSHIP
RICHLAND COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets - Modified Cash Basis	9
Statement of Activities - Modified Cash Basis	10
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds	11
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005	12
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis:	
General Fund.....	13
Gasoline Tax Fund	14
Permissive Sales Tax Fund.....	15
Road and Bridge Fund.....	16
Notes to the Financial Statements	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sharon Township, Richland County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis 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 respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sharon Township, Richland County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, and Permissive Sales Tax Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 14, 2006

Sharon Township, Richland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Sharon Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$25,177, an insignificant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax Fund, which realized the greatest increase in revenue in 2005; however, cost increases affected the General Fund and the Road and Bridge Fund, which all reflected a decrease in fund balances as of December 31, 2005.

Sharon Township's general receipts are primarily property and other local taxes. These receipts represent 38.2 percent of the total cash received for governmental activities during the year. Property and other local tax receipts for 2005 decreased by \$3,242 compared to 2004 as development within the Township has slowed.

The Township has no business-type activity.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the entity-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Sharon Township, Richland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Township at year end. The statement of activities compares cash disbursements with program receipts for each township program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities. All of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Township has no business-type activity.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money which is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental funds.

Sharon Township, Richland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, the Gasoline Tax Fund, the Road & Bridge Fund and the Permissive Sales Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$74,134	\$38,442
Investments	353,082	363,597
Total Assets	427,216	402,039
Net Assets		
Restricted for:		
Other Purposes	299,861	270,737
Unrestricted	127,355	131,302
Total Net Assets	\$427,216	\$402,039

As mentioned previously, net assets of governmental activities increased \$25,177 or 6.3 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- The Issue II project approved in 2005 was not completed/paid for until 2006. As a result, road project costs for 2005 were lower than 2004 costs.
- The Gasoline Tax Fund receipts increased \$16,056 due to rising gasoline costs.
- Interest income on investments increased significantly, due to increases in interest rates and increases in the amount of cash invested.

Sharon Township, Richland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

- Because of the rising cost of health insurance provided for the Road Superintendent, the Board determined it would be necessary to have the Road Superintendent pay a portion of his health insurance. The Clerk began withholding the monthly employee portion of health insurance in March of 2005, which helped keep the Township's cost in 2005 comparable to the cost in 2004.
- The winter of 2005/2006 was fairly mild compared to the winter of 2004/2005. As a result, costs for road salt/grit decreased from 2004 to 2005.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$6,216
Operating Grants and Contributions	94,913
Capital Grants and Contributions	2,325
Total Program Receipts	103,454
General Receipts:	
Property and Other Local Taxes	131,791
Grants and Entitlements Not Restricted to Specific Programs	63,330
Sale of Assets	35,275
Interest	11,340
Miscellaneous	125
Total General Receipts	241,861
Total Receipts	345,315
Disbursements:	
General Government	104,332
Security of Persons and Property	28,000
Public Works	105,347
Capital Outlay	82,459
Total Disbursements	320,138
Increase in Net Assets	25,177
Net Assets, January 1, 2005	402,039
Net Assets, December 31, 2005	\$427,216

Program receipts represent only 29.96 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and charges to Richland County for services provided under contract (plowing/salting winter roads; mowing roadsides during summer months).

Sharon Township, Richland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 70.04 percent of the Township's total receipts, and of this amount, over 54.49 percent is property and other local taxes. State and federal grants and entitlements make up 26.18 percent of the Township's general receipts. Sale of assets make up 14.58 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities.

Security of Persons and Property is the cost of fire protection; Public Works is the cost of maintaining the roads; Capital Outlay is the purchase of a new dump truck.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next three columns of the statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 3)

Governmental Activities

	Total Cost of Services	Net Cost of Services
	2005	2005
General Government	\$104,332	(\$104,192)
Security of Persons and Property	28,000	(28,000)
Public Works	105,347	(2,033)
Capital Outlay	82,459	(82,459)
Total Expenses	\$320,138	(\$216,684)

The dependence upon property and permissive sales tax receipts is apparent, as over 67.68 percent of governmental activities are supported through these general receipts.

Business-Type Activities

The Township has no business-type activities.

The Township's Funds

Total governmental funds had receipts of \$309,915 and disbursements of \$320,138. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$31,220 as the result of rising costs of gasoline.

Sharon Township, Richland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, final budgeted receipts from Property and Other Local Taxes were below actual receipts by \$4,497 due to slow growth in tax receipts. The difference between final budgeted receipts and actual receipts for Intergovernmental was due to unexpected estate tax receipts in the amount of \$19,403.

Final disbursements and other financing uses were budgeted at \$196,223 while actual disbursements were \$92,624. The Township kept spending well under budgeted amounts.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on property and permissive sales taxes and have very little industry to support the tax base.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ursula Esterline, Fiscal Officer, Sharon Township Office, 23 West Main Street, Lower Level, Shelby, OH 44875.

**SHARON TOWNSHIP
RICHLAND COUNTY**

Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$74,134
Investments	<u>353,082</u>
Total Assets	<u><u>\$427,216</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$299,861
Unrestricted	<u>127,355</u>
Total Net Assets	<u><u>\$427,216</u></u>

See accompanying notes to the basic financial statements.

**SHARON TOWNSHIP
RICHLAND COUNTY**

Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax	Road and Bridge	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$42,791	\$13,416		\$9,603	\$8,324	\$74,134
Investments	84,564	84,813	\$67,981	97,692	18,032	353,082
Total Assets	<u>\$127,355</u>	<u>\$98,229</u>	<u>\$67,981</u>	<u>\$107,295</u>	<u>\$26,356</u>	<u>\$427,216</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	127,355					127,355
Special Revenue Funds		98,229	67,981	107,295	26,356	299,861
Total Fund Balances	<u>\$127,355</u>	<u>\$98,229</u>	<u>\$67,981</u>	<u>\$107,295</u>	<u>\$26,356</u>	<u>\$427,216</u>

See accompanying notes to the basic financial statements.

**SHARON TOWNSHIP
RICHLAND COUNTY**

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax	Road and Bridge	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$24,003		\$34,600	\$73,188		\$131,791
Charges for Services		\$4,076	2,000			6,076
Licenses, Permits and Fees	140					140
Intergovernmental	55,506	81,821	8,229		\$15,012	160,568
Interest	8,322	2,276			742	11,340
<i>Total Receipts</i>	<u>87,971</u>	<u>88,173</u>	<u>44,829</u>	<u>73,188</u>	<u>15,754</u>	<u>309,915</u>
Disbursements						
Current:						
General Government	64,624		763	38,945		104,332
Public Safety	28,000					28,000
Public Works		42,378	53,601	277	9,091	105,347
Capital Outlay		30,000	6,500	30,528	15,431	82,459
<i>Total Disbursements</i>	<u>92,624</u>	<u>72,378</u>	<u>60,864</u>	<u>69,750</u>	<u>24,522</u>	<u>320,138</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,653)</u>	<u>15,795</u>	<u>(16,035)</u>	<u>3,438</u>	<u>(8,768)</u>	<u>(10,223)</u>
Other Financing Sources (Uses)						
Sale of Assets	275	12,352	2,677	12,971	7,000	35,275
Transfers In	306	3,073	754	241	2,376	6,750
Transfers Out					(6,750)	(6,750)
Other Financing Sources	125					125
<i>Total Other Financing Sources (Uses)</i>	<u>706</u>	<u>15,425</u>	<u>3,431</u>	<u>13,212</u>	<u>2,626</u>	<u>35,400</u>
<i>Net Change in Fund Balances</i>	<u>(3,947)</u>	<u>31,220</u>	<u>(12,604)</u>	<u>16,650</u>	<u>(6,142)</u>	<u>25,177</u>
<i>Fund Balances Beginning of Year</i>	<u>131,302</u>	<u>67,009</u>	<u>80,585</u>	<u>90,645</u>	<u>32,498</u>	<u>402,039</u>
<i>Fund Balances End of Year</i>	<u>\$127,355</u>	<u>\$98,229</u>	<u>\$67,981</u>	<u>\$107,295</u>	<u>\$26,356</u>	<u>\$427,216</u>

See accompanying notes to the basic financial statements.

**SHARON TOWNSHIP
RICHLAND COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$28,500	\$28,500	\$24,003	(\$4,497)
Intergovernmental	33,886	33,886	55,506	21,620
Licenses, Permits & Fees	155	155	140	(15)
Interest	2,380	2,380	8,322	5,942
<i>Total Receipts</i>	<u>64,921</u>	<u>64,921</u>	<u>87,971</u>	<u>23,050</u>
Disbursements				
Current:				
General Government	134,818	134,818	64,624	70,194
Public Safety	28,000	28,000	28,000	
<i>Total Disbursements</i>	<u>162,818</u>	<u>162,818</u>	<u>92,624</u>	<u>70,194</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(97,897)</u>	<u>(97,897)</u>	<u>(4,653)</u>	<u>93,244</u>
Other Financing Sources (Uses)				
Sale of Assets			275	275
Transfers In			306	306
Transfers Out	(10,000)	(10,000)		10,000
Other Financing Sources			125	125
Other Financing Uses	(23,405)	(23,405)		23,405
<i>Total Other Financing Sources (Uses)</i>	<u>(33,405)</u>	<u>(33,405)</u>	<u>706</u>	<u>34,111</u>
<i>Net Change in Fund Balance</i>	<u>(131,302)</u>	<u>(131,302)</u>	<u>(3,947)</u>	<u>127,355</u>
<i>Fund Balance Beginning of Year</i>	<u>131,302</u>	<u>131,302</u>	<u>131,302</u>	
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$127,355</u>	<u>\$127,355</u>

See accompanying notes to the basic financial statements.

**SHARON TOWNSHIP
SHARON COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$4,000	\$4,000	\$4,076	\$76
Intergovernmental	45,000	45,000	81,821	36,821
Interest	600	600	2,276	1,676
<i>Total Receipts</i>	<u>49,600</u>	<u>49,600</u>	<u>88,173</u>	<u>38,573</u>
Disbursements				
Current:				
Public Works	86,609	86,609	42,378	44,231
Capital Outlay	30,000	30,000	30,000	
<i>Total Disbursements</i>	<u>116,609</u>	<u>116,609</u>	<u>72,378</u>	<u>44,231</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,009)</u>	<u>(67,009)</u>	<u>15,795</u>	<u>82,804</u>
Other Financing Sources				
Sale of Assets			12,352	12,352
Transfers In			3,073	3,073
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>15,425</u>	<u>15,425</u>
<i>Net Change in Fund Balance</i>	(67,009)	(67,009)	31,220	98,229
<i>Fund Balance Beginning of Year</i>	<u>67,009</u>	<u>67,009</u>	<u>67,009</u>	
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$98,229</u>	<u>\$98,229</u>

See accompanying notes to the basic financial statements.

**SHARON TOWNSHIP
RICHLAND COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
Permissive Sales Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$67,450	\$67,450	\$73,188	\$5,738
Disbursements				
Current:				
General Government	98,095	98,095	38,945	59,150
Public Works	25,000	25,000	277	24,723
Capital Outlay	35,000	35,000	30,528	4,472
<i>Total Disbursements</i>	158,095	158,095	69,750	88,345
<i>Excess of Receipts Over (Under) Disbursements</i>	(90,645)	(90,645)	3,438	94,083
Other Financing Sources				
Sale of Assets			12,971	12,971
Transfers In			241	241
<i>Total Other Financing Sources</i>	0	0	13,212	13,212
<i>Net Change in Fund Balance</i>	(90,645)	(90,645)	16,650	107,295
<i>Fund Balance Beginning of Year</i>	90,645	90,645	90,645	
<i>Fund Balance End of Year</i>	\$0	\$0	\$107,295	\$107,295

See accompanying notes to the basic financial statements.

**SHARON TOWNSHIP
RICHLAND COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes			\$34,600	\$34,600
Charges for Services	\$2,000	\$2,000	2,000	
Intergovernmental	4,200	4,200	8,229	4,029
<i>Total Receipts</i>	<u>6,200</u>	<u>6,200</u>	<u>44,829</u>	<u>38,629</u>
Disbursements				
Current:				
General Government	2,000	2,000	763	1,237
Public Works	74,785	74,785	53,601	21,184
Capital Outlay	10,000	10,000	6,500	3,500
<i>Total Disbursements</i>	<u>86,785</u>	<u>86,785</u>	<u>60,864</u>	<u>25,921</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(80,585)</u>	<u>(80,585)</u>	<u>(16,035)</u>	<u>64,550</u>
Other Financing Sources				
Sale of Assets			2,677	2,677
Transfers In			754	754
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>3,431</u>	<u>3,431</u>
<i>Net Change in Fund Balance</i>	<u>(80,585)</u>	<u>(80,585)</u>	<u>(12,604)</u>	<u>67,981</u>
<i>Fund Balance Beginning of Year</i>	<u>80,585</u>	<u>80,585</u>	<u>80,585</u>	
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$67,981</u>	<u>\$67,981</u>

See accompanying notes to the basic financial statements.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

Sharon Township, Richland County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the City of Shelby for fire protection. The Township contracts with Medic Response Ambulance Services, Inc., to provide ambulance services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Sharon Township has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity (Continued)

The Township participates in a public entity risk pool. Note 11 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA) for property and casualty coverage.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not report any business-type activities, which generally are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Permissive Sales Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund is used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads. The Permissive Sales Tax Fund is used to account for sales tax money which the Township can only use for road resurfacing projects. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$8,322.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. During 2005, the Township did not report any restricted assets.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. During 2005, the Township did not report any interfund loans.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road work.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Permissive Sales Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than a reservation of fund balance; however, the Township had no outstanding encumbrances at year-end.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Township had the following investments:

STAR Ohio	<u>Carrying Value</u> <u>\$353,082</u>	<u>Maturity</u> Average
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STAR Ohio carries a rating of AAA by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Property Taxes (Continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$2.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$82,268,510
Agriculture	3,763,810
Commercial/Industrial/Mineral	24,944,140
Public Utility Property	
Real	67,640
Personal	6,028,150
Tangible Personal Property	15,607,417
Total Assessed Value	<u>\$132,679,667</u>

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage 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. Coverage provided by OTARMA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	654,743	Total Coverage

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$11,759, \$11,644, and \$16,564, respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 - Postemployment Benefits (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1,777. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 10 – Interfund Transfers

During 2005, the following transfers were made:

Transfers from Other Governmental Funds to:	
General Fund	\$306
Gasoline Tax Fund	3,073
Road and Bridge Fund	754
Permissive Sales Tax Fund	241
Other Governmental Funds	<u>2,376</u>
Total	<u>\$6,750</u>

These transfers represent the FEMA funds collected and transferred to the funds where the disbursements were originally made from in accordance with Auditor of State Bulletin 98-013.

Note 11 – Public Entity Risk Pool

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 coverage 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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Sharon Township
Richland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 11 – Public Entity Risk Pool (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sharon Township, Richland County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 14, 2006 wherein we noted the Township revised its financial statements for 2005, making them comparable to the requirements of Governmental Auditing Standards Board Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

However, in a separate letter to the Township's management dated August 14, 2006, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 14, 2006



**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

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
SEPTEMBER 19, 2006**