



Mary Taylor, CPA
Auditor of State

SHARON TOWNSHIP
NOBLE COUNTY

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Mary Taylor, CPA
Auditor of State

Sharon Township
Noble County
14475 Fogle Road
Caldwell, Ohio 43724

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

December 2, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sharon Township
Noble County
14475 Fogle Road
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Sharon Township, Noble County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2006, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, 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.



Mary Taylor, CPA
Auditor of State

December 2, 2008

**SHARON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$9,307	\$2,719		\$12,026
Intergovernmental	8,401	99,811		108,212
Earnings on Investments	1,241	3,203	\$2	4,446
Miscellaneous	61	54		115
Total Cash Receipts	<u>19,010</u>	<u>105,787</u>	<u>2</u>	<u>124,799</u>
Cash Disbursements:				
Current:				
General Government	20,032	267		20,299
Public Safety	530			530
Public Works	2,160	86,681		88,841
Capital Outlay	7,000			7,000
Total Cash Disbursements	<u>29,722</u>	<u>86,948</u>	<u>0</u>	<u>116,670</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(10,712)	18,839	2	8,129
Fund Cash Balances, January 1	<u>29,788</u>	<u>105,141</u>	<u>866</u>	<u>135,795</u>
Fund Cash Balances, December 31	<u><u>\$19,076</u></u>	<u><u>\$123,980</u></u>	<u><u>\$868</u></u>	<u><u>\$143,924</u></u>

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

**SHARON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$9,577	\$2,998		\$12,575
Intergovernmental	9,804	98,892		108,696
Earnings on Investments	1,504	1,464	\$2	2,970
Miscellaneous		216		216
Total Cash Receipts	<u>20,885</u>	<u>103,570</u>	<u>2</u>	<u>124,457</u>
Cash Disbursements:				
Current:				
General Government	30,041	178		30,219
Public Safety	2,382			2,382
Public Works	3,401	55,417		58,818
Health	550			550
Other	9,321			9,321
Capital Outlay	5,000			5,000
Total Cash Disbursements	<u>50,695</u>	<u>55,595</u>	<u>0</u>	<u>106,290</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(29,810)	47,975	2	18,167
Fund Cash Balances, January 1 (Restated See Note 4)	<u>59,598</u>	<u>57,166</u>	<u>864</u>	<u>117,628</u>
Fund Cash Balances, December 31	<u><u>\$29,788</u></u>	<u><u>\$105,141</u></u>	<u><u>\$866</u></u>	<u><u>\$135,795</u></u>

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

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sharon Township, Noble County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Caldwell to provide fire services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash

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

	2006	2007
Demand deposits	\$135,795	\$143,924

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,180	\$19,010	\$1,830
Special Revenue	94,025	105,787	11,762
Permanent	10	2	(8)
Total	\$111,215	\$124,799	\$13,584

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,934	\$29,722	\$7,212
Special Revenue	186,399	86,948	99,451
Permanent	66	0	66
Total	\$223,399	\$116,670	\$106,729

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,140	\$20,885	\$3,745
Special Revenue	91,135	103,570	12,435
Permanent	10	2	(8)
Total	\$108,285	\$124,457	\$16,172

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,781	\$50,695	\$48,086
Special Revenue	80,451	55,595	24,856
Permanent	63	0	63
Total	\$179,295	\$106,290	\$73,005

Contrary to Ohio law, the Board of Trustees did not pass appropriation measure timely during 2007 and 2006.

Contrary to Ohio law, the Fiscal Officer did not amend appropriations with the same provisions of law as used in making the original during 2007 and 2006.

Contrary to Ohio law, the Fiscal Officer allowed fund expenditures to exceed appropriations during 2007.

Contrary to Ohio law, the Fiscal Officer amended appropriations without first obtaining legislative approval during 2007 and 2006.

4. Restatement of Fund Balances

For the year ended December 31, 2005, an adjustment resulted in a fund balance restatement, as follows:

Governmental Funds	Fund Balances at December 31, 2005	Restatement Amount	Fund Balances at January 1, 2006
General	(\$7,333)	\$66,931	\$59,598
Special Revenue	124,097	(66,931)	57,166

The changes in fund balances for the General and Special Revenue Funds were the result of adjustments made by prior auditors that client did not make.

5. Property Tax

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**SHARON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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

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Mary Taylor, CPA

Auditor of State

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

Sharon Township
Noble County
14475 Fogle Road
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the financial statements of Sharon Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 2, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Section 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-002, 2007-006, and 2007-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001, 2007-002, 2007-006, and 2007-008 are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 2, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 2, 2008.

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



Mary Taylor, CPA
Auditor of State

December 2, 2008

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation/Material Weakness

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

During 2006, the Fiscal Officer incorrectly posted gasoline excise tax monies in the amount of \$2,607 to the General Fund instead of to the Gas Tax Fund, Special Revenue Fund type.

Ohio Rev. Code Section 5705.10(A) states that all revenue derived from general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the General Fund.

During 2007, the Fiscal Officer incorrectly posted real estate property tax monies in the amount of \$3,714 to the Road and Bridge Fund, Special Revenue Fund type instead of the General Fund.

We recommend the Fiscal Officer review revenue postings for accuracy. The Fiscal Officer should review the Uniform Accounting Network—Accounting Manual Appendix A, Township Chart of Accounts, for appropriate revenue code descriptions. The Fiscal Officer posted an adjustment to the Township's accounting system for the two aforementioned mispostings.

FINDING NUMBER 2007-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion No. 2004-036 which sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered.

There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The Township was notified of the requirements of Ohio Revised Code Section 505.24(C) in the prior audit management letter dated June 20, 2006.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Noncompliance Citations/Material Weakness – Ohio Rev. Code Section 505.24(C) (Continued)

For 2006 and 2007, the Board of Trustees did establish administrative procedures to document how they spent their time. It was necessary for Trustees to do this in order to substantiate their salaries and fringe benefits that were paid from funds other than the General Fund. Upon our review of the Township's payroll register, John Byer was paid \$508 and \$517 from the General Fund in 2006 and 2007, respectively. According to Trustee John Byer's documented timesheets, he should have been paid \$1,753 and \$1,783 from the General Fund in 2006 and 2007, respectively. Therefore, an expenditure variance of \$1,245 and \$1,266 occurred in the General Fund in 2006 and 2007, respectively.

We recommend the Fiscal Officer use the Trustee's timesheet as a basis for allocating their pay to the funds. The Fiscal Officer posted the adjustment to the Township's accounting system and the accompanying financial statements reflect this adjustment.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code Section 505.60(C) states that If any township officer or employee is denied coverage under a health care plan procured under division (B) of this Section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of this Section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under policies it procures under division (B) of this Section.

Attorney General Opinion No. 2005-038 concluded that, pursuant to Ohio Rev. Code Section 505.50(C) a board of trustees may reimburse a township officer or employee for the out-of-pocket premiums attributable to that officer or employee for health care coverage under insurance policies described in Ohio Rev. Code Section 505.60(A) if the officer or employee is denied health care coverage under a policy procured by the township under Ohio Rev. Code Section 505.60(B), or if the officer or employee elects not to participate in the township's health care plan. The policies described in Section 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee.

The Township reimbursed two Township Trustees for family coverage for the years 2006 and 2007, which was in excess of actual out-of-pocket premium expenses attributable to them only in the amount of \$7,110.

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the health care reimbursement statutes, as demonstrated in the opinions of several prosecuting attorneys submitted to our office. In addition, legislation has been introduced and passed by the Ohio House of Representatives to extend reimbursement to township officials and employees for premiums for family coverage. Therefore, we will not issue Findings for Recovery for these expenditures during the 2006-2007 audit period.

SHARON TOWNSHIP
NOBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-003 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 505.60(C) (Continued)

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until HB 458 is passed by the legislature and becomes law.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not obtain prior certification for 29% of 2007 and 57% of 2006 transactions tested. We found no evidence of the Fiscal Officer using a “then and now” certificate. The Fiscal Officer did not consistently require certification of a purchase order before the Township incurred an obligation. The Fiscal Officer’s failure to properly certify the availability of funds can result in overspending.

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

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-005

Noncompliance Citation

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

At the Township’s organizational meetings held in December of 2006 and 2007, the minutes noted that temporary appropriations of \$15,000 were approved; however, no fund fund/function allocation was noted.

In addition, the Township’s appropriation resolution for 2006 was not approved in the minutes, and was not filed with the County Auditor until July 5, 2006.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.38(A) (Continued)

Furthermore, the appropriation resolution for 2007 was approved in the minutes on March 8, 2007. This resolution was originally filed with the County Auditor on April 4, 2007 however it was returned by the County Auditor because two funds had appropriations which exceeded the total available for appropriation per the amended certificate. The appropriation resolution for 2007 was re-filed with the County Auditor on December 31, 2007.

We recommend the Board of Trustees ensure its annual appropriation resolution is passed in a timely manner and file such appropriations with the County Auditor. If the Board of Trustees passes a temporary appropriation measure, the measure should provide detail such as fund, function and amount.

FINDING NUMBER 2007-006

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation* (1979), 60 Ohio Misc. 71, 397 N.E.2d 781; *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152, 216 N.E.2d.

During 2007 and 2006, the Fiscal Officer posted line item appropriation amendments to various funds each year. However, these amendments were not approved by the Board of Trustees in the minutes, nor certified to the County Auditor. The Fiscal Officer thought she held the authority to change appropriations throughout the year without legislative action.

At December 31, 2007 and 2006, we noted the following funds had appropriations that did not reconcile to the amounts passed by the legislative authority as follows:

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-006 (Continued)

Noncompliance Citation/Material Weakness- Ohio Rev. Code Section 5705.40 (Continued)

<u>Year</u>	<u>Fund/Line Item</u>	<u>Approved Appropriations</u>	<u>Appropriations Per the UAN System</u>	<u>Variance:</u>
2007	1000-190-229-0000	\$0	\$5,800	(\$5,800)
2007	1000-710-323-0000	0	5,000	(5,000)
2007	1000-710-420-0000	0	5,000	(5,000)
2007	1000-760-740-0000	0	7,000	(7,000)
2007	2011-330-430-0000	10,000	0	10,000
2007	2011-330-599-0000	0	10,000	(10,000)
2007	2021-110-213-0000	0	400	(400)
2007	2021-330-222-0000	0	500	(500)
2007	2021-330-229-0000	0	1,000	(1,000)
2007	2021-330-259-0000	0	2,000	(2,000)
2007	2021-330-312-0000	0	1,500	(1,500)
2007	2021-330-382-0000	0	1,500	(1,500)
2007	2031-330-314-0000	0	200	(200)
2007	2031-330-315-0000	0	200	(200)
2007	2031-330-345-0000	0	50	(50)
2007	2031-330-430-0000	1,576	0	1,576
2007	2031-330-599-0000	450	1,576	(1,126)
2006	1000-110-345-0000	800	300	500
2006	1000-110-383-0000	0	500	(500)

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Board of Trustees.

We recommend the Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-007

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2007, we noted the following funds had expenditures in excess of appropriations at the legal level of control:

<u>Year</u>	<u>Fund/Line Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance:</u>
2007	General/General Government	\$0	\$2,275	(\$2,275)
2007	General/Capital Outlay	0	7,000	(7,000)
2007	MVL Tax/Public Works	0	397	(397)
2007	Gasoline Tax/General Government	0	267	(267)
2007	Gasoline Tax/Public Works	0	410	(410)

The Fiscal Officer did not consistently require certification of purchase orders before the Township incurred an obligation. The Fiscal Officer's failure to properly certify the availability of funds can result in budgetary overspending and negative cash fund balances.

We recommend the Fiscal Officer consistently require prior certification of a purchase order before the Township incurs an obligation. The Fiscal Officer should compare expenditures to available appropriations before certifying a purchase order. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2007-008

Material Weakness

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-008 (Continued)

Material Weakness (Continued)

The Fiscal Officer posted budgetary amounts to the receipt ledger that did not agree with the budgetary amounts passed by the legislative authority. The following table lists the differences:

Year	Fund	Final Amended Certificate Amount	Amounts Posted to the Accounting System	Variance
2007	General	\$139,472	\$98,026	\$41,446
2007	Gasoline Tax	85,812	74,868	10,944
2007	Fire Levy	9,926	7,226	2,700
2007	Fire District #2 Levy	20,673	17,491	3,182
2007	Fire District # 2 Levy 93	11,054	8,843	2,211
2007	Permissive Tax	34,152	19,430	14,722
2007	FEMA 1556	6,244	7,688	(1,444)
2007	FEMA 1580	113,276	28,540	84,736
2006	General	122,423	58,929	63,494
2006	Fire Levy	8,698	198	8,500
2006	Fire District #2 Levy	21,814	265	21,549
2006	Fire District #2 Levy 93	11,949	52	11,897
2006	Brookside #6	1,915	15	1,900
2006	Fire District #2	19,069	69	19,000
2006	FEMA 1556	6,243	10,428	(4,185)
2006	FEMA 1580	121,488	59,871	61,617

The Fiscal Officer did not realize that legislative action was required to change receipt and appropriation amounts. This condition allowed the fiscal officer to certify obligations from appropriation accounts which did not have adequate appropriations.

We recommend the Fiscal Officer only post receipts and appropriations passed by the legislative authority.

Officials' Response:

We did not receive a response from the Township to the findings reported above.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(D)(1), not certifying availability of funds prior to incurring an obligation.	No	Not Corrected; Repeated in current audit as Finding No. 2007-004.
2005-002	Ohio Rev. Code Section 5705.39, appropriations exceed estimated resources.	No	Repeated in the current audit Management Letter.
2005-003	Ohio Rev. Code Section 5705.10, negative fund balance.	Yes	N/A



Mary Taylor, CPA
Auditor of State

SHARON TOWNSHIP

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2008**