



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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 12, 2010

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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, 2009 and 2008. 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.

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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, 2009 and 2008 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, 2009 and 2008, 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, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 12, 2010, 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

July 12, 2010

**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, 2009**

|                                                     | <u>Governmental Fund Types</u> |                                |                            | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|-----------------------------------------------------|--------------------------------|--------------------------------|----------------------------|-----------------------------------------|
|                                                     | <u>General</u>                 | <u>Special<br/>Revenue</u>     | <u>Permanent</u>           |                                         |
| <b>Cash Receipts:</b>                               |                                |                                |                            |                                         |
| Property and Other Local Taxes                      | \$10,560                       | \$3,126                        |                            | \$13,686                                |
| Intergovernmental                                   | 8,056                          | 97,405                         |                            | 105,461                                 |
| Earnings on Investments                             | 1,944                          | 1,312                          | \$2                        | 3,258                                   |
| Miscellaneous                                       | 1,501                          |                                |                            | 1,501                                   |
|                                                     |                                |                                |                            |                                         |
| Total Cash Receipts                                 | <u>22,061</u>                  | <u>101,843</u>                 | <u>2</u>                   | <u>123,906</u>                          |
| <b>Cash Disbursements:</b>                          |                                |                                |                            |                                         |
| Current:                                            |                                |                                |                            |                                         |
| General Government                                  | 22,578                         | 599                            | 74                         | 23,251                                  |
| Public Works                                        | 8,323                          | 87,565                         |                            | 95,888                                  |
| Capital Outlay                                      |                                |                                |                            | 0                                       |
| Debt Service:                                       |                                |                                |                            |                                         |
| Redemption of Principal                             | 459                            | 10,560                         |                            | 11,019                                  |
|                                                     |                                |                                |                            |                                         |
| Total Cash Disbursements                            | <u>31,360</u>                  | <u>98,724</u>                  | <u>74</u>                  | <u>130,158</u>                          |
| Total Cash Receipts Over/(Under) Cash Disbursements | (9,299)                        | 3,119                          | (72)                       | (6,252)                                 |
| Fund Cash Balances, January 1                       | <u>58,360</u>                  | <u>130,114</u>                 | <u>862</u>                 | <u>189,336</u>                          |
| <b>Fund Cash Balances, December 31</b>              | <b><u><u>\$49,061</u></u></b>  | <b><u><u>\$133,233</u></u></b> | <b><u><u>\$790</u></u></b> | <b><u><u>\$183,084</u></u></b>          |

*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, 2008**

|                                                                                                                                | <u>Governmental Fund Types</u> |                            |                     | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|---------------------|-----------------------------------------|
|                                                                                                                                | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Permanent</u>    |                                         |
| <b>Cash Receipts:</b>                                                                                                          |                                |                            |                     |                                         |
| Property and Other Local Taxes                                                                                                 | \$9,493                        | \$2,460                    |                     | \$11,953                                |
| Intergovernmental                                                                                                              | 59,056                         | 98,587                     |                     | 157,643                                 |
| Earnings on Investments                                                                                                        | 2,021                          | 2,586                      | \$2                 | 4,609                                   |
| Miscellaneous                                                                                                                  | 748                            | 1,655                      |                     | 2,403                                   |
|                                                                                                                                |                                |                            |                     |                                         |
| Total Cash Receipts                                                                                                            | <u>71,318</u>                  | <u>105,288</u>             | <u>2</u>            | <u>176,608</u>                          |
| <b>Cash Disbursements:</b>                                                                                                     |                                |                            |                     |                                         |
| Current:                                                                                                                       |                                |                            |                     |                                         |
| General Government                                                                                                             | 29,309                         | 355                        | 8                   | 29,672                                  |
| Public Safety                                                                                                                  | 565                            |                            |                     | 565                                     |
| Public Works                                                                                                                   | 2,160                          | 97,881                     |                     | 100,041                                 |
| Health                                                                                                                         |                                |                            |                     | 0                                       |
| Other                                                                                                                          |                                |                            |                     | 0                                       |
| Capital Outlay                                                                                                                 |                                | 32,140                     |                     | 32,140                                  |
| Debt Service:                                                                                                                  |                                |                            |                     |                                         |
| Redemption of Principal                                                                                                        |                                | 918                        |                     | 918                                     |
|                                                                                                                                |                                |                            |                     |                                         |
| Total Cash Disbursements                                                                                                       | <u>32,034</u>                  | <u>131,294</u>             | <u>8</u>            | <u>163,336</u>                          |
| Total Cash Receipts Over/(Under) Cash Disbursements                                                                            | 39,284                         | (26,006)                   | (6)                 | 13,272                                  |
| <b>Other Financing Receipts / (Disbursements):</b>                                                                             |                                |                            |                     |                                         |
| Other Debt Proceeds                                                                                                            |                                | 32,140                     |                     | 32,140                                  |
|                                                                                                                                |                                |                            |                     |                                         |
| Total Other Financing Receipts / (Disbursements)                                                                               | <u>0</u>                       | <u>32,140</u>              | <u>0</u>            | <u>32,140</u>                           |
| Excess of Cash Receipts and Other Financing<br>Receipts Over / (Under) Cash Disbursements<br>and Other Financing Disbursements | 39,284                         | 6,134                      | (6)                 | 45,412                                  |
| Fund Cash Balances, January 1                                                                                                  | <u>19,076</u>                  | <u>123,980</u>             | <u>868</u>          | <u>143,924</u>                          |
| <b>Fund Cash Balances, December 31</b>                                                                                         | <b><u>\$58,360</u></b>         | <b><u>\$130,114</u></b>    | <b><u>\$862</u></b> | <b><u>\$189,336</u></b>                 |

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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. Deposits and Investments**

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.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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, 2009 AND 2008  
(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 2009 and 2008 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, 2009 AND 2008  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

|                 | 2009      | 2008      |
|-----------------|-----------|-----------|
| Demand deposits | \$183,084 | \$189,336 |
|                 | \$183,084 | \$189,336 |

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General         | \$16,890             | \$22,061           | \$5,171  |
| Special Revenue | 98,410               | 101,843            | 3,433    |
| Permanent       | 10                   | 2                  | (8)      |
| Total           | \$115,310            | \$123,906          | \$8,596  |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
|-----------------|----------------------------|---------------------------|-----------|
| General         | \$74,454                   | \$31,360                  | \$43,094  |
| Special Revenue | 228,310                    | 98,724                    | 129,586   |
| Permanent       | 462                        | 74                        | 388       |
| Total           | \$303,226                  | \$130,158                 | \$173,068 |

2008 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General         | \$60,876             | \$71,318           | \$10,442 |
| Special Revenue | 95,738               | 137,428            | 41,690   |
| Permanent       | 10                   | 2                  | (8)      |
| Total           | \$156,624            | \$208,748          | \$52,124 |

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|-------------------------------------------------------|----------------------------|---------------------------|----------|
| Fund Type                                             | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General                                               | \$37,645                   | \$32,034                  | \$5,611  |
| Special Revenue                                       | 218,314                    | 131,294                   | 87,020   |
| Permanent                                             | 878                        | 8                         | 870      |
| Total                                                 | \$256,837                  | \$163,336                 | \$93,501 |

Contrary to Ohio law, the Board of Trustees did not pass the permanent appropriation measure timely during 2009 and 2008.

Contrary to Ohio law, the Township did not obtain the Clerk's prior certification before incurring an obligation consistently in 2009 and 2008.

Contrary to Ohio law, the Fiscal Officer allowed fund expenditures to exceed appropriations at the legal level of control during 2009 and 2008.

**4. 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.

**5. Debt**

Debt outstanding at December 31, 2009 was as follows:

|               |           |
|---------------|-----------|
| Capital Lease | \$ 20,202 |
|---------------|-----------|

The Township entered into a capital lease in the amount of \$32,140 to finance the purchase of a New Holland tractor. The lease amount to be paid is \$918.27 monthly for 35 payments. The purchase option at the end of the lease is \$1.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. Debt (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

|                          |                        |
|--------------------------|------------------------|
| Year ending December 31: | <u>Capital Lease</u>   |
| 2010                     | \$11,019               |
| 2011                     | <u>9,183</u>           |
| Total                    | <u><u>\$20,202</u></u> |

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contribution required through December 31, 2009.

**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 Township Board of Trustees:

We have audited the financial statements of the Sharon Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 12, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes 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 § 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider findings 2009-001 and 2009-003 to be significant deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **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 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 12, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

July 12, 2010

SHARON TOWNSHIP  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

**Noncompliance Citation/Significant Deficiency**

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

**"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.

**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.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

|                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|----------------------------------------------------------------------------------------------------------------------|

**FINDING NUMBER 2009-001 (Continued)**

**Noncompliance Citation/Significant Deficiency– Ohio Rev. Code Section 5701.41(D)(1) (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for 93 percent (93%) of the expenditures tested in 2009 and 64 percent (64%) in 2008, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Additionally, the Township utilized “blanket” certificates and did not establish a threshold for such certificates.

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

We recommend the Township certify purchases to which Section 5705.41(D) applies. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. We also recommend that the Board establish a threshold for “blanket” certificates.

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

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

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

At the Township’s organizational meeting held in December of 2007, it was noted that temporary appropriations of \$15,000 were approved for 2008, however no fund fund/function allocation was noted. For 2009, no temporary appropriations were approved, the permanent appropriation resolution was not approved in the minutes until April 9, 2009, and it was filed with the County Auditor on March 31, 2009. During 2009, the Township wrote checks for the period February 12, 2009 to March 31, 2009 in the cumulative amount of \$22,875 without the benefit of a permanent appropriation measure being approved.

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

|                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|----------------------------------------------------------------------------------------------------------------------|

**FINDING NUMBER 2009-003**

**Noncompliance Citation/Significant Deficiency**

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 is to be paid into a special fund for such purpose.

Ohio Rev. Code Section 5705.10(A) requires that all revenue derived from any general levy for current expense authorized by a vote in excess of the ten mill limitation and the general levy for current expense within the ten mill limitation must be paid into the General Fund.

During 2008, the Fiscal Officer incorrectly classified rollback and homestead monies, personal property tax replacement, and personal property tax reimbursement monies as taxes instead of intergovernmental revenues. These mispostings and some other mispostings accounted for eleven reclassification entries in the amount of \$13,680. Also in 2008, the Fiscal Officer incorrectly posted rollback and homestead monies and property tax settlements to the incorrect funds. These mispostings account for eleven adjustments in the amount of \$33,892.

During 2009, the Fiscal Officer incorrectly classified rollback and homestead monies, personal property tax replacement, and personal property tax reimbursement monies as taxes instead of intergovernmental revenues. These mispostings and some other mispostings accounted for six reclassification entries in the amount of \$2,015. Also in 2009, the Fiscal Officer incorrectly posted rollback and homestead monies and property tax settlements to the incorrect funds. These mispostings account for nine adjustments in the amount of \$14,215.

The cumulative effect of fund adjustments to individual funds was:

| <u>Fund</u>        | <u>2008</u> | <u>2009</u> | <u>Total</u> |
|--------------------|-------------|-------------|--------------|
| General Fund       | \$176.46    | \$906.78    | \$1,083.24   |
| Gas Tax Fund       | \$0.00      | \$0.00      | \$0.00       |
| Road & Bridge Fund | \$213.38    | (\$577.50)  | (\$364.12)   |
| MVL Fund           | \$904.36    | \$0.00      | \$904.36     |
| Perm MVL Fund      | (\$904.36)  | \$0.00      | (\$904.36)   |
| Permanent Fund     | (\$389.84)  | (\$325.04)  | (\$714.88)   |

We recommend the Fiscal Officer review the revenue postings for accuracy. The Fiscal Officer should review Uniform Accounting Network-Accounting Manual Appendix A, Township Chart of Accounts, for appropriate revenue code descriptions. The Township has recorded these adjustments to their accounting system.

**Official's 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, 2009 AND 2008**

| Finding Number | Finding Summary                                                                                                                                                        | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b> |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------|
| 2007-001       | Ohio Rev. Code Section 5705.10 (D), incorrect revenue postings                                                                                                         | No               | Not Corrected; repeated as Finding 2009-003                                                                                     |
| 2007-002       | Ohio Rev. Code Section 505.24 ( C ), lack of timesheets and payment of trustees from funds in which payment was not supported                                          | Yes              | Finding No Longer Valid                                                                                                         |
| 2007-003       | Ohio Rev. Code Section 505.60, Township Trustees were reimbursed in excess of out-of-pocket premium expenses.                                                          | Yes              | Finding No Longer Valid                                                                                                         |
| 2007-004       | Ohio Rev. Code Section 5705.41 (D), the Township did not obtain prior certification for 29% of 2007 expenditures and 57% of 2006 expenditures                          | No               | Not corrected; repeated in current audit as finding 2009-001                                                                    |
| 2007-005       | Ohio Rev. Code Section 5705.38 (A) appropriations were not passed in a timely manner and filed with the County Auditor                                                 | No               | Not corrected; repeated in current audit as finding 2009-002                                                                    |
| 2007-006       | Ohio Rev. Code Section 5705.40, appropriations on UAN did not reconcile to the amounts passed by the Board of Trustees                                                 | No               | Partially corrected; repeated in Management Letter                                                                              |
| 2007-007       | Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations                                                                                               | No               | Partially corrected; repeated in Management Letter                                                                              |
| 2007-008       | Ohio Admin. Code Section 117-2-02 ( C ) (1), budgetary amounts were posted to the receipt ledger that did not agree with the amounts approved by the Board of Trustees | No               | Partially corrected; repeated in Management Letter                                                                              |



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  
JULY 29, 2010