

SHARON TOWNSHIP

MEDINA COUNTY

INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2009 AND DECEMBER 31, 2008

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

January 13, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Sharon Township
P.O. Box 7
Sharon Center, Ohio 44274

We have reviewed the *Independent Accountants' Report* of Sharon Township, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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Mary Taylor, CPA
Auditor of State

January 3, 2011

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**SHARON TOWNSHIP, OHIO
MEDINA COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND DECEMBER 31, 2008**

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CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330.336.1706 Fax 330.334.5118

INDEPENDENT ACCOUNTANTS' REPORT

Sharon Township
Medina County
P.O. Box 7
Sharon Center, OH 44274

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Medina County, (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 requires 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.

INDEPENDENT ACCOUNTANTS' REPORT (continued)

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 and reserves for encumbrances of Sharon Township, Medina 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 November 26, 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 express an opinion 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.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

November 26, 2010

Sharon Township, Medina County
 Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
 Balances - All Governmental Fund Types
 For the Year Ended December 31, 2009

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent Fund	
Cash Receipts				
Property and Other Local Taxes	\$269,642	\$943,765	\$0	\$1,213,407
Licenses, Permits and Fees	6,925	900	0	7,825
Fines and Forfeitures	210	0	0	210
Intergovernmental	321,144	308,433	0	629,577
Special Assessments	0	624	0	624
Interest	6,688	567	0	7,255
Other	61,905	1,432	0	63,337
<i>Total Cash Receipts</i>	<u>666,514</u>	<u>1,255,721</u>	<u>0</u>	<u>1,922,235</u>
Cash Disbursements				
Current:				
General Government	296,820	323	0	297,143
Public Safety	92,470	401,855	0	494,325
Public Works	3,244	337,540	0	340,784
Health	2,033	0	0	2,033
Conservation-Recreation	3,043	0	0	3,043
Capital Outlay	27,633	94,903	0	122,536
<i>Total Cash Disbursements</i>	<u>425,243</u>	<u>834,621</u>	<u>0</u>	<u>1,259,864</u>
Total Cash Receipts Over Cash Disbursements	<u>241,271</u>	<u>421,100</u>	<u>0</u>	<u>662,371</u>
<i>Fund Cash Balances January 1, 2009</i>	<u>643,871</u>	<u>1,023,901</u>	<u>1,000</u>	<u>1,668,772</u>
<i>Fund Cash Balances December 31, 2009</i>	<u>\$885,142</u>	<u>\$1,445,001</u>	<u>\$1,000</u>	<u>\$2,331,143</u>
Reserve for Encumbrances	<u>\$18,445</u>	<u>\$31,492</u>	<u>\$0</u>	<u>\$49,937</u>

See accompanying notes to the financial statements

Sharon Township, Medina County
 Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
 Balances - All Governmental Fund Types
 For the Year Ended December 31, 2008

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent Funds	
Cash Receipts				
Property and Other Local Taxes	\$264,288	\$939,237	\$0	\$1,203,525
Licenses, Permits and Fees	7,789	1,075	0	8,864
Fines and Forfeitures	125	0	0	125
Intergovernmental	195,974	288,870	0	484,844
Special Assessments	0	661	0	661
Interest	45,516	1,951	0	47,467
Other	72,096	3,846	0	75,942
<i>Total Cash Receipts</i>	<u>585,788</u>	<u>1,235,640</u>	<u>0</u>	<u>1,821,428</u>
Cash Disbursements				
Current:				
General Government	338,760	2,000	0	340,760
Public Safety	88,671	442,489	0	531,160
Public Works	0	939,761	0	939,761
Conservation-Recreation	13,531	0	0	13,531
Capital Outlay	21,276	476,646	0	497,922
<i>Total Cash Disbursements</i>	<u>462,238</u>	<u>1,860,896</u>	<u>0</u>	<u>2,323,134</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>123,550</u>	<u>(625,256)</u>	<u>0</u>	<u>(501,706)</u>
Other Financing Sources				
Sale of Fixed Assets	0	36,397		36,397
Insurance Recoveries	0	181,409	0	181,409
Total Other Financing Sources	<u>0</u>	<u>217,806</u>	<u>0</u>	<u>217,806</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	123,550	(407,450)	0	(283,900)
<i>Fund Cash Balances January 1, 2008</i>	<u>520,321</u>	<u>1,431,351</u>	<u>1,000</u>	<u>1,952,672</u>
<i>Fund Cash Balances December 31, 2008</i>	<u>\$643,871</u>	<u>\$1,023,901</u>	<u>\$1,000</u>	<u>\$1,668,772</u>
Reserve for Encumbrances	<u>\$10,898</u>	<u>\$25,324</u>	<u>\$0</u>	<u>\$36,222</u>

See accompanying notes to the financial statements

SHARON TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and December 31, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Sharon Township, Medina County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township also has a publicly elected Fiscal Officer. The Township provides general governmental services, including zoning, road and bridge maintenance along with Fire and EMS services to the residents of the Township.

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

B. Basis of Accounting

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

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

C. 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.

Money market mutual funds (including StarOhio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

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

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

SHARON TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and December 31, 2008

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

Road and Bridge Fund – This fund receives property taxes and intergovernmental receipts for constructing, maintaining, and repairing Township roads.

Fire Levy Fund – This fund receives property taxes and intergovernmental receipts to provide fire protection and EMS services to Township residents.

Permanent Fund – This fund is used to account for resources restricted by a legally binding trust agreement that requires the Township to maintain the corpus of the trust.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as a liability under the cash basis of accounting used by the Township.

SHARON TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and December 31, 2008

2. **EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Township maintains a deposit and investment pool used by all funds. 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	\$1,214,487	\$555,180
Certificate of Deposit	1,000	1,000
Total Deposits	1,215,487	556,180
Star Ohio	1,115,656	1,112,592
Total Deposits and Investments	\$2,331,143	\$1,668,772

Deposits – Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution’s public entity deposit pool.

Investments – Investments in StarOhio are not evidenced by securities that exist in physical or book-entry form.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2009 and December 31, 2008 was as follows:

2009 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$570,992	\$666,514	\$95,522
Special Revenue	1,207,907	1,255,721	47,814
Total	\$1,778,899	\$1,922,235	\$143,336

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$929,389	\$443,688	\$485,701
Special Revenue	2,141,714	866,113	1,275,601
Total	\$3,071,103	\$1,309,801	\$1,761,302

SHARON TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and December 31, 2008

3. **BUDGETARY ACTIVITY** (continued)

2008 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$501,901	\$585,788	\$83,887
Special Revenue	<u>1,231,798</u>	<u>1,453,446</u>	<u>221,648</u>
Total	<u>\$1,733,699</u>	<u>\$2,039,234</u>	<u>\$305,535</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$800,056	\$473,136	\$326,920
Special Revenue	<u>1,788,993</u>	<u>1,886,220</u>	<u>(97,227)</u>
Total	<u>\$2,589,049</u>	<u>\$2,359,356</u>	<u>\$229,693</u>

Contrary to Ohio Law, budgetary expenditures exceeded estimated appropriation authority in the Motor Vehicle License Tax Fund by \$16,917, the Gasoline Tax Fund by \$213,282, and the Fire Levy Fund by \$20,712 for the year ended December 31, 2008.

Contrary to Ohio Law, appropriations exceeded estimate resources in the Fire Levy Fund by \$95,854 for the year ended December 31, 2009 and the Permissive Sales Tax Fund by \$4,256 for the year ended December 31, 2008.

Contrary to Ohio Law, a reduced amended certificate of estimated resources was not obtained for the year ended December 31, 2009.

4. **PROPERTY TAX**

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

SHARON TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and December 31, 2008

4. **PROPERTY TAX** (continued)

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

Tangible personal property tax has been phased out as of 2009. To compensate, the State will make distributions to taxing subdivisions from revenue generated by a newly enacted commercial activity tax. Generally, these distributions are expected to fully compensate taxing subdivisions for such losses through 2010 with gradual reductions in the reimbursement from 2011 to 2017.

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

5. **RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For both 2009 and 2008, OPERS members contributed 10% of their wages. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

6. **RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

SHARON TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and December 31, 2008

6. **RISK MANAGEMENT** (continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007. (Latest Information Available)

	2008	2007
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

SHARON TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and December 31, 2008

6. **RISK MANAGEMENT** (continued)

Contributions to OTARMA

2007	\$5,746
2008	\$5,962

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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

Sharon Township
P.O. Box 7
Sharon Center, Ohio 44274

To the Board of Trustees

We have audited the financial statements of Sharon Township, Medina County (the Township) as of and for the years ended December 31, 2009 and December 31, 2008, and have issued our report thereon dated November 26, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than the accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 described in the accompanying Schedule of Findings and Responses to be a material weakness.

**Sharon Township
Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements performed in
Accordance with *Government Auditing Standards*
Page 2**

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. We consider findings 2009-02 and 2009-03 described in the accompanying Schedule of Findings and Responses to be significant deficiencies.

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 that we must report under *Government Auditing Standards* which are described in the accompany Schedule of Findings and Responses as items 2009-04 through 2009-06.

We also noted certain matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated November 26, 2010.

The Township's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Trustees. We intend it for no one other than those specified parties.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

November 26, 2010

SHARON TOWNSHIP
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

Finding 2009-01 Material Weakness

A monitoring system should be in place to prevent or detect material misstatements for accurate presentation of the Township's financial statements and ledgers.

Receipts and disbursements were not always properly posted into the accounting system. The following posting errors were noted and corrected by management in the financial statements:

2008

Special assessment receipts for the Lighting Assessment Fund were improperly posted in the General Fund in the amount of \$312.

Gasoline Tax receipts for the Gasoline Tax Fund were improperly posted in the Permissive Sales Tax Fund in the amount of \$5,314.

Liquor permit receipts for the General Fund were improperly posted in the Fire Levy Fund in the amount of \$1,369.

Intergovernmental receipts were improperly posted in the General Fund instead of the Road and Bridge Fund in the amount of \$32,471 and the Fire Levy Fund in the amount of \$27,837.

Intergovernmental receipts were improperly posted in the Road and Bridge Fund instead of the General Fund in the amount of \$17,125 and the Fire Levy Fund in the amount of \$27,454.

The sale of fixed assets were posted as Other Receipts rather than sale of Fixed Assets as follows:

<u>Fund</u>	<u>Amount</u>
Road and Bridge Fund	\$22,021
Fire Levy Fund	\$14,376

Insurance recoveries were posted as Other Receipts in the Fire Levy Fund rather than Insurance Recoveries in the amount of \$181,409.

SHARON TOWNSHIP
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

Intergovernmental receipts were posted as Property Tax receipts rather than Intergovernmental Receipts as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$30,010
Road and Bridge Fund	\$59,791
Fire Levy Fund	\$27,866

General Government disbursements were not posted in the General Fund in the amount of \$11,870 resulting in an understatement of expenses.

2009

Special assessment receipts for the Lighting Assessment Fund were improperly posted in the General Fund in the amount of \$624.

In the General Fund, Other receipts of \$16,700, Licenses, Permits, and Fee receipts of \$544, and Property Tax receipts of \$77,087 were posted twice resulting in an overstatement of revenues.

In the Cemetery Fund, Other Receipts of \$25 were posted twice resulting in an overstatement of revenues.

Intergovernmental receipts were improperly posted in the General Fund instead of the Road and Bridge Fund in the amount of \$33,681 and the Fire Levy Fund in the amount of \$29,499.

Intergovernmental receipts were improperly posted in the Road and Bridge Fund instead of the Fire Levy Fund in the amount of \$27,766.

Intergovernmental receipts were posted as Property Tax receipts rather than Intergovernmental Receipts as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$52,364
Road and Bridge Fund	\$69,838
Fire Levy Fund	\$37,542

General Government disbursements were not posted in the General Fund in the amount of \$3,012 resulting in an understatement of expenses, and interest receipts were not posted in the General Fund in the amount of \$11 resulting in an understatement of revenues.

SHARON TOWNSHIP
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

Officials Response:

We are aware of this situation and will monitor it on an on-going basis. We will begin running and reviewing receipt register reports on a regular basis to help ensure receipts and disbursements are properly posted into the accounting system.

Finding 2009-02 Significant Deficiency

Posting of Budget

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Appropriations and estimated receipts were not always properly entered into the accounting system.

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 4 to the financial statements and only include budgeted receipts as certified to the County Auditor and appropriations as authorized by the Trustees.

Officials Response:

We are aware of this situation and will begin entering budgetary accounts into the accounting system and monitor them accordingly.

Finding 2009-03 Significant Deficiency

Bank Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statements and the cash and investment balances according to the entity's records at a specific point in time.

From September 1, 2008 through December 31, 2009, the Township did not fully reconcile the balance of the bank and the balance of cash in the accounting records. A primary cause of the unreconciled difference was due to receipts not being posted to the accounting system in a timely fashion. Per our testing of cash receipts, we noted that some receipts were not input into the system until two months or longer after they were received and deposited into the bank.

SHARON TOWNSHIP
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

Without complete and accurate monthly bank reconciliations, the Township’s internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Township’s management. In addition, the Township’s management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Township.

The Township needs to prepare accurate monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month to month. All reconciling items should be appropriately documented.

Officials Response:

We are aware of this situation and will be implementing changes to help prevent it from occurring again. Internal changes will be made so funds will be deposited and recorded in the accounting system in a timely manner.

Finding 2009-04 Noncompliance

Section 5705.39, Ohio Revised Code, provides in part that total appropriations from each fund shall not exceed the total estimated resources.

During our budgetary testing it was noted that total appropriations exceeded estimated resources in the following funds for the year ended December 31:

<u>2009</u>	<u>Estimated</u>	<u>Appropriations</u>	<u>Variance</u>
Fire Levy Fund	<u>Resources</u>		
	\$908,555	\$1,004,409	(\$95,854)
<u>2008</u>			
Permissive Sales Tax Fund	\$10,744	\$15,000	(\$4,256)

Officials Response:

We are aware of this situation and will generate and review reports from the accounting system on a regular basis to help ensure total appropriations do not exceed estimated resources.

SHARON TOWNSHIP
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

Finding 2009-05 Noncompliance

Section 5705.36(A)(4), Ohio Revised Code, requires obtaining a reduced amended certificate of estimated resources if the amount of the deficiency will reduce available resources below the current level of appropriation.

During our budgetary testing it was noted that total appropriations exceeded actual resources in the following funds for the year ended December 31, 2009:

	Total Actual <u>Resources</u>	Total <u>Appropriations</u>	<u>Variance</u>
Motor Vehicle License Tax Fund	\$18,212	\$24,250	(\$6,038)
Gasoline Tax Fund	\$127,103	\$130,040	(\$2,937)
Fire Levy Fund	\$878,615	\$1,004,409	(\$125,794)
Lighting Special Assessment Fund	\$200	\$800	(\$600)

Officials Response:

We are aware of this situation and will generate and review reports from the accounting system on a regular basis to help ensure total appropriations do not exceed actual resources.

Finding 2009-06 Noncompliance

Section 5705.41(B) Ohio Revised Code, requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Budgetary expenditures exceeded appropriations in the following funds for the year ended December 31 2008:

	Total Budgetary <u>Expenditures</u>	Total <u>Appropriations</u>	<u>Variance</u>
Motor Vehicle License Tax Fund	\$31,917	\$15,000	(\$16,917)
Gasoline Tax Fund	\$233,282	\$20,000	(\$213,282)
Fire Levy Fund	\$849,789	\$829,077	(\$20,712)

Officials Response:

We are aware of this situation and will generate and review reports from the accounting system on a regular basis to help ensure budgetary expenditures do not exceed appropriations.

**SHARON TOWNSHIP
 MEDINA COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2007-01	Financial statement adjustments.	No	Not Corrected Reissued as Finding 2009-01
2007-02	ORC Section 5705.39 Total appropriations exceeded estimated resources.	No	Not Corrected Reissued as Finding 2009-04

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Mary Taylor, CPA
Auditor of State

SHARON TOWNSHIP

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2011**