



**Auditor of State  
Betty Montgomery**



SHARON TOWNSHIP  
NOBLE COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Sharon Township  
Noble County  
12944 State Route 78  
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of the Sharon Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In 2002, the Township improperly charged expenditures for mowing of cemeteries to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,600 that should have been charged to the General Fund, in the amount of \$1,600. During 2002, the Township paid various non-highway related expenditures from the Gasoline Tax Fund and these expenditures should have been charged to the General Fund, in the amount of \$415. Also, during 2002, the Township improperly charged expenditures related to the Township Clerk's fringe benefits, as well as the portion of the Board of Trustees' fringe benefits which should have been posted to the General Fund, to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,023 and these expenditures should have been charged to the General fund, in the amount of \$1,023. In addition, during 2002, the Township improperly posted gasoline excise tax monies in the amount of \$8,317 to the General fund and these revenues were due the Gasoline Tax Fund, Special Revenue Fund Type, in the amount of \$8,317. Had these posting errors been properly posted to the

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Township's accounting system, the 2002 General Fund expenditures would have been increased by \$3,038, the revenues would have been decreased by \$8,317, and the December 31, 2002 cash balance of the General Fund would have been decreased by \$11,355 and the 2002 Special Revenue Fund expenditures would have been decreased by \$3,038, the revenues would have been increased by \$8,317 and the December 31, 2002 cash balance of the Special Revenue Fund would have been increased by \$11,355.

In 2003, the Township improperly charged expenditures for mowing of cemeteries to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$3,000 and should have been charged to the General Fund, in the amount of \$3,000. During 2003, the Township paid various non-highway related expenditures from the Gasoline Tax Fund and these expenditures should have been charged to the General Fund, in the amount of \$270. Also, during 2003, the Township improperly charged expenditures related to the Township Clerk's fringe benefits, as well as the portion of the Board of Trustees' fringe benefits which should have been posted to the General Fund, to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$6,795. Had these posting errors been properly posted to the Township's accounting system, the 2003 General Fund expenditures would have been increased by \$10,065 and the December 31, 2003 cash balance of the General fund would have been decreased by a cumulative \$21,420, the 2003 Special Revenue Fund expenditures would have been decreased by \$10,065 and the December 31, 2003 cash balance of the Special Revenue Fund would have been increased by a cumulative \$21,420.

In our opinion, because of the effect of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Sharon Township, Noble County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 20, 2004

**SHARON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$9,472	\$3,421	\$	\$	\$12,893
Intergovernmental	6,771	77,050			83,821
Earnings on Investments	109	285		13	407
Other Revenue	17				17
<b>Total Cash Receipts</b>	<u>16,369</u>	<u>80,756</u>	<u>0</u>	<u>13</u>	<u>97,138</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	20,462				20,462
Public Safety	549				549
Public Works	2,160	62,825			64,985
<b>Total Cash Disbursements</b>	<u>23,171</u>	<u>62,825</u>	<u>0</u>	<u>0</u>	<u>85,996</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(6,802)</u>	<u>17,931</u>	<u>0</u>	<u>13</u>	<u>11,142</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	1,468	8,792			10,260
Advances-In		4,668			4,668
Transfers-Out		(8,792)	(1,468)		(10,260)
Advances-Out		(4,668)			(4,668)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>1,468</u>	<u>0</u>	<u>(1,468)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,334)	17,931	(1,468)	13	11,143
Fund Cash Balances, January 1	12,221	41,976	1,468	848	56,513
<b>Fund Cash Balances, December 31</b>	<u><b>\$6,887</b></u>	<u><b>\$59,907</b></u>	<u><b>\$0</b></u>	<u><b>\$861</b></u>	<u><b>\$67,656</b></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 AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$7,460	\$2,810	\$	\$	\$10,270
Intergovernmental	16,807	51,947	1,647		70,401
Earnings on Investments	175	407		28	610
Other Revenue	648	114			762
	<u>25,090</u>	<u>55,278</u>	<u>1,647</u>	<u>28</u>	<u>82,043</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	16,997				16,997
Public Safety	549				549
Public Works	510	50,307			50,817
Debt Service:					
Redemption of Principal			4,000		4,000
Interest and Fiscal Charges			49		49
	<u>18,056</u>	<u>50,307</u>	<u>4,049</u>	<u>0</u>	<u>72,412</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>7,034</u>	<u>4,971</u>	<u>(2,402)</u>	<u>28</u>	<u>9,631</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Advances-In		11,321			11,321
Advances-Out		(11,321)			(11,321)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,034	4,971	(2,402)	28	9,631
Fund Cash Balances, January 1	<u>5,187</u>	<u>37,005</u>	<u>3,870</u>	<u>820</u>	<u>46,882</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$12,221</u></u>	<u><u>\$41,976</u></u>	<u><u>\$1,468</u></u>	<u><u>\$848</u></u>	<u><u>\$56,513</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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Sharon Township, Noble County (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 provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Caldwell Volunteer Fire Company, Inc. to provide fire services.

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

**B. Basis of Accounting**

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

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

**C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund receives gasoline tax money for principal and interest on outstanding note debt.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**C. Fund Accounting (Continued)**

**4. Fiduciary Fund (Trust Fund)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following Fiduciary Fund:

Cemetery Bequest Nonexpendable Trust Fund – This fund maintains the trust corpus and receives interest income. The income is to be used for perpetual care of certain graves or cemeteries.

**D. 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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 carried over and need not be reappropriated. The Township did not encumber all commitments required by Ohio Law.

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

**E. 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.

**2. EQUITY IN POOLED CASH**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$67,656</u>	<u>\$56,513</u>

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and 2002 follow:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,366	\$17,837	\$1,471
Special Revenue	74,431	89,548	15,117
Debt Service	0	0	0
Fiduciary	10	13	3
Total	\$90,807	\$107,398	\$16,591

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,101	\$23,171	\$3,930
Special Revenue	116,482	71,617	44,865
Debt Service	1,468	1,468	0
Fiduciary	59	0	59
Total	\$145,110	\$96,256	\$48,854

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,474	\$25,090	\$8,616
Special Revenue	62,904	55,278	(7,626)
Debt Service	178	1,647	1,469
Fiduciary	10	28	18
Total	\$79,566	\$82,043	\$2,477

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$23,817	\$18,056	\$5,761
Special Revenue	88,118	50,307	37,811
Debt Service	4,049	4,049	0
Fiduciary	30	0	30
Total	\$116,014	\$72,412	\$43,602

Contrary to Ohio law, the Township did not encumber all commitments during 2003 and 2002.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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 payment, 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**

The Township retired notes during the audit period that were previously issued for the purchase of a tractor.

**6. RETIREMENT SYSTEMS**

The Township's elected officials and 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 2003 and 2002 OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

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 and life insurance coverage to elected officials through a private carrier.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Sharon Township  
Noble County  
12944 State Route 78  
Caldwell, Ohio 43724

To 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, 2003 and 2002, and have issued our report thereon dated August 20, 2004 wherein we opined the financial statements were not fairly presented since the Township declined to adjust its financial statements or accounting records for improper posting of receipts to the proper fund and improper disbursement of monies in a restricted fund. We also noted in the opinion letter that the Township's financial transactions were processed using 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 conduct the audit, of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001, 2003-002, and 2003-003. We also we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 20, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Sharon Township  
Noble County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the Board of Trustees, and is not intended to be, and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 20, 2004

SHARON TOWNSHIP  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Finding for Adjustment**

Ohio Rev. Code Section 5705.10 states 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.

Gasoline excise tax monies in the amount of \$8,317 during 2002 were incorrectly posted to the General Fund.

A finding for adjustment is hereby issued against the General Fund of Sharon Township, Noble County in the amount of \$8,317, in favor of the Gasoline Tax Fund, a Special Revenue Fund type. This adjustment has not been recorded in the financial statements or in the accounting system of the Township.

FINDING NUMBER 2003-002

**Finding for Adjustment**

Ohio Rev. Code Section 5735.27(A) (5) (c) requires the funds received from the gasoline excise tax shall be expended by each Township for the sole purpose of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within such Township, and paying costs apportioned to the Township under Section 4907.47 of the Revised Code. **Article XII, Section 5a, Ohio Constitution** states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds, and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

During 2003 and 2002, the Township paid cemetery mowing expenditures from the Gas Tax Fund, in the amount of \$3,000 and \$1,600, respectively. During 2003 and 2002, the Township paid various non-highway related dues from the Gas Tax Fund, in the amount of \$270 and \$415, respectively. In addition, during 2003 and 2002, the Township paid the Township Clerk's share of various health insurance premiums from the Gas Tax Fund, in the amount of \$6,795 and \$1,023, respectively.

A finding for adjustment is hereby issued against the General Fund of Sharon Township, Noble County, in the amount of \$13,303, in favor of the Gas Tax Fund, a Special Revenue Fund type. The Township has not posted this adjustment to its accounting system or financial statements.

FINDING NUMBER 2003-003

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-003 (Continued)**

**Noncompliance Citation (Continued)**

There are several exceptions to the standard requirement stated above. 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.

1. "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.
  
2. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) 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.

Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates 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. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, 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.

The Township did not properly certify the availability of funds prior to purchase commitment for 14% of expenditures tested in 2003 and for 30% of expenditures tested in 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 Clerk certify that funds are or will be available prior to obligation by the township. When prior certification is not possible, "then and now" certification should be used.



**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-003 (Continued)**

**Noncompliance Citation (Continued)**

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 the certification language 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 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

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**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-41061-001	Ohio Rev. Code Section 515.01 states the costs of installing and operating any lighting system or any street light furnished under contract shall be paid from the General Fund of the township treasury.	Yes	
2001-41061-002	Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been properly appropriated.	Yes	
2001-41061-003	Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Not Corrected; Repeated in GAGAS letter as Finding 2003-003

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-41061-004	Finding For Recovery issued against previous Township Clerk, Barbara Reed for \$500 .	Yes	



**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 4, 2004**