

**SHARON TOWNSHIP
NOBLE COUNTY
AUDIT REPORT
YEAR ENDED DECEMBER 31, 2005**

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



**Auditor of State
Betty Montgomery**

Board of Trustees
Sharon Township
12944 SR 78
Caldwell, Ohio 43724

We have reviewed the *Independent Auditors' Report* of Sharon Township, Noble County, prepared by Wolfe, Wilson, & Phillips, Inc. for the audit period January 1, 2005 through December 31, 2005. 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.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 24, 2006

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**SHARON TOWNSHIP
NOBLE COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	2
Government-wide Financial Statements:	
Statement of Nets Assets Year Ended December 31, 2005.....	7
Statement of Activities Year ended December 31, 2005.....	8
Fund Financial Statements:	
Governmental Funds	
Statement of Cash Basis Assets and Fund Balances, Year Ended December 31, 2005.....	9
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balance Year Ended December 31, 2005.....	10
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) - General Fund, Year Ended December 31, 2005.....	11
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) - Gasoline Tax Fund, Year Ended December 31, 2005.....	12
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) - FEMA 1556 Fund, Year Ended December 31, 2005.....	13
Notes to the Financial Statements.....	14
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	24
Schedule of Findings.....	25
Status of Prior Auditing Findings.....	27

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, major funds and aggregate remaining fund information of Sharon Township, Noble County as of and for the year ended December 31, 2005, which collectively comprised the Township's basic financial statements. 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Township has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, major funds and the aggregate remaining fund information of Sharon Township, Noble County, as of December 31, 2005, and the respective changes in financial position-cash basis and the respective budgetary comparison for the General Fund, Gas Tax Fund, and FEMA 1556 Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2006, on our consideration of Sharon Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 20, 2006

**SHARON TOWNSHIP, NOBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Sharon Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005, within the limitations of the Township's cash basis accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

The Township's general receipts are primarily Real Estate and property taxes for governmental activities for the year. Tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

In 2005, the Township received \$24,792, respectively, from FEMA for storm disasters.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and statement of activities provide information about the cash activities of the Township as a whole. The statement of cash basis assets and fund balances, and the statement of cash receipts, disbursements and changes in fund cash balances, present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

Basis of Accounting

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

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

**SHARON TOWNSHIP, NOBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005
UNAUDITED**

Reporting the Government as a Whole

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

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

In the statement of net assets and the statement of activities, we divide the government into governmental activities. All of the Township's basic services are reported here, including road maintenance. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

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

**SHARON TOWNSHIP, NOBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds for 2005 are the General Fund, Gasoline Tax Fund, and FEMA 1556 Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the township reports on the cash basis.

The Government as a Whole

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

Table 1 NET ASSETS	
	Governmental Activities
	<u>2005</u>
Assets	
Cash	\$ 117,628
Total Assets	<u>117,628</u>
Net Assets	
Restricted for:	
Other Purposes	124,098
Permanent:	
Expendable	63
Nonexpendable	800
Unrestricted	(7,333)
Total Net Assets	<u>\$ 117,628</u>

Since this is the first year the Township has reported on this method, there are no comparisons to 2004.

**SHARON TOWNSHIP, NOBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005
UNAUDITED**

Table 2 reflects the changes in net assets in 2005

Table 2
CHANGES IN NET ASSETS

	Governmental Activities
	2005
Receipts:	
Program Receipts:	
Charges for Services	\$ -
Operating Grants	87,890
Capital Grants	-
Total Program Receipts	87,890
General Receipts;	
Property and Other Tax	12,194
Grants and Entitlements	
not Restricted	50,286
Interest	325
Miscellaneous	223
Total General Receipts	63,028
Total Receipts	150,918
Disbursements:	
General Government	25,501
Public Safety	549
Public Works	80,976
Health	349
Total Disbursements	107,375
Increase/(Decrease)	
In Net Assets	43,543
Net Assets, January 1	74,085
Net Assets, December 31	\$ 117,628

Since this is the first year reporting under this method, there is no comparison to 2004.

Program receipts represent 58% of total receipts for 2005. They are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 42% of the Township's total receipts for 2005. Local taxes represent 19% of the general receipts. Grants and entitlements make up the balance of general receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

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

**SHARON TOWNSHIP, NOBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005
UNAUDITED**

The Government's Funds

Total governmental funds had receipts of \$150,918 for 2005 and disbursements of \$107,375 for 2005. There were no significant changes from 2004.

Fund Budgeting Highlights

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

During 2005, the Township made amendments to its appropriation budget and receipts budget to reflect changing circumstances. For 2005, actual receipts were greater than budgeted receipts.

Final budgeted disbursements for 2005 were \$42,934. Actual disbursements for 2005 were \$28,760. The Township kept spending close to budgeted amounts.

Debt

The Township had no outstanding debt at December 31, 2005.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Amber Haas, Fiscal Officer, 12944 State Route 78, Caldwell, Ohio 43724.

**SHARON TOWNSHIP
NOBLE COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
December 31, 2005**

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 117,628</u>
Total Assets	<u>\$ 117,628</u>
NET ASSETS:	
Restricted for:	
Other Purposes	124,098
Permanent :	
Expendable	63
Nonexpendable	800
Unrestricted	<u>(7,333)</u>
Total Net Assets	<u><u>\$ 117,628</u></u>

See notes to basic financial statements.

**SHARON TOWNSHIP
NOBLE COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
Governmental Activities:					
General Government	\$ 25,501	\$ -	\$ -	\$ -	\$ (25,501)
Public Safety	549	-	-	-	(549)
Public Works	80,976	-	87,890	-	6,914
Health	349	-	-	-	(349)
Total Governmental Activities	\$ 107,375	\$ -	\$ 87,890	\$ -	\$ (19,485)

General Receipts:

Property Taxes Levied for:	
General Purposes	12,194
Grants and Entitlements not	
Restricted to Specific Programs	50,286
Interest	325
Miscellaneous	223
Total General Receipts	63,028
Change in Net Assets	43,543
Net Assets Beginning of Year	74,085
Net Assets End of Year	\$ 117,628

See notes to the basic financial statements.

**SHARON TOWNSHIP
NOBLE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>FEMA 1556</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and cash Equivalents	\$ (7,333)	\$ 107,471	\$ -	\$ 17,490	\$ 117,628
Total Assets	<u>\$ (7,333)</u>	<u>\$ 107,471</u>	<u>\$ -</u>	<u>\$ 17,490</u>	<u>\$ 117,628</u>
Fund Balances:					
Unreserved:					
General Fund	(7,333)	-	-	-	(7,333)
Special Revenue Fund	-	107,471	-	16,627	124,098
Permanent Fund	-	-	-	863	863
Total Fund Balances	<u>\$ (7,333)</u>	<u>\$ 107,471</u>	<u>\$ -</u>	<u>\$ 17,490</u>	<u>\$ 117,628</u>

See notes to basic financial statements.

**SHARON TOWNSHIP
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
December 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>FEMA 1556</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS					
Property and Other Local Taxes	\$ 9,352	\$ -	\$ -	\$ 2,842	\$ 12,194
Intergovernmental	25,154	77,232	13,537	22,253	138,176
Earnings on Investments	217	82	-	26	325
Miscellaneous	223	-	-	-	223
Total Receipts	<u>34,946</u>	<u>77,314</u>	<u>13,537</u>	<u>25,121</u>	<u>150,918</u>
CASH DISBURSEMENTS:					
Current:					
General Government	25,201	300	-	-	25,501
Public Safety	549	-	-	-	549
Public Works	2,661	63,403	-	14,912	80,976
Health	349	-	-	-	349
Total Disbursements	<u>28,760</u>	<u>63,703</u>	<u>-</u>	<u>14,912</u>	<u>107,375</u>
Excess of Receipts Over (Under) Disbursements	6,186	13,611	13,537	10,209	43,543
Other Financing Sources (Uses)					
Transfers-In	1,849	21,232	-	2,406	25,487
Transfers-Out	-	-	(13,537)	(11,950)	(25,487)
Total Other Financing Sources (Uses)	<u>1,849</u>	<u>21,232</u>	<u>(13,537)</u>	<u>(9,544)</u>	<u>-</u>
Net Change in Cash Fund Balances	8,035	34,843	-	665	43,543
Cash Fund Balances Beginning of Year	<u>(15,368)</u>	<u>72,628</u>	<u>-</u>	<u>16,825</u>	<u>74,085</u>
Cash Fund Balances End of Year	<u>\$ (7,333)</u>	<u>\$ 107,471</u>	<u>\$ -</u>	<u>\$ 17,490</u>	<u>\$ 117,628</u>

See notes to basic financial statements.

**SHARON TOWNSHIP
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Property and Other Local Taxes	\$ 7,180	\$ 7,180	\$ 9,352	\$ 2,172
Intergovernmental	8,400	8,400	25,154	16,754
Earnings on Investments	30	30	217	187
Miscellaneous	-	-	223	223
Total Receipts	<u>15,610</u>	<u>15,610</u>	<u>34,946</u>	<u>19,336</u>
CASH DISBURSEMENTS:				
Current:				
General Government	35,031	35,031	25,201	9,830
Public Safety	600	600	549	51
Public Works	6,803	6,803	2,661	4,142
Health	500	500	349	151
Total Disbursements	<u>42,934</u>	<u>42,934</u>	<u>28,760</u>	<u>14,174</u>
Excess of Receipts Over (Under) Disbursements	(27,324)	(27,324)	6,186	33,510
Other Financing Sources (Uses)				
Transfers-In	-	-	1,849	1,849
Total Other Financing Sources (Uses)	-	-	1,849	1,849
Net Change in Cash Fund balance	(27,324)	(27,324)	8,035	35,359
Cash Fund Balances Beginning of Year	<u>(15,368)</u>	<u>(15,368)</u>	<u>(15,368)</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ (42,692)</u>	<u>\$ (42,692)</u>	<u>\$ (7,333)</u>	<u>\$ 35,359</u>

See notes to basic financial statements.

**SHARON TOWNSHIP
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Intergovernmental	\$ 68,090	\$ 68,090	\$ 77,232	\$ 9,142
Interest	-	-	82	82
Total Receipts	<u>68,090</u>	<u>68,090</u>	<u>77,314</u>	<u>9,224</u>
CASH DISBURSEMENTS:				
Current:				
General Government	300	300	300	-
Public Works	98,947	98,947	63,403	35,544
Total Disbursements	<u>99,247</u>	<u>99,247</u>	<u>63,703</u>	<u>35,544</u>
Excess of Receipts Over (Under) Disbursements	(31,157)	(31,157)	13,611	44,768
Other Financing Sources (Uses)				
Transfers-In	-	-	21,232	21,232
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>21,232</u>	<u>21,232</u>
Net Change in Cash Fund balance	(31,157)	(31,157)	34,843	66,000
Cash Fund Balances Beginning of Year	<u>72,628</u>	<u>72,628</u>	<u>72,628</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 41,471</u>	<u>\$ 41,471</u>	<u>\$ 107,471</u>	<u>\$ 66,000</u>

See notes to basic financial statements.

**SHARON TOWNSHIP
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
FEMA 1556 FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Intergovernmental	\$ -	\$ 13,537	\$ 13,537	\$ -
Total Receipts	-	13,537	13,537	-
Other Financing Sources (Uses)				
Transfers - Out	-	(13,537)	(13,537)	-
Total Other Financing Sources (Uses)	-	(13,537)	(13,537)	-
Net Change in Cash Fund balance	-	-	-	-
Cash Fund Balances Beginning of Year	-	-	-	-
Cash Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to basic financial statements.

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting Entity

The Township of Sharon, Noble County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly elected Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements, in which case GASB prevails. Following are more of the Township's accounting policies.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities or the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service. The Township has no business-type activities.

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are General Fund, Gasoline Tax Fund and FEMA 1556 Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used for Trustee's salary and for the maintenance and up keep of roads. The FEMA 1556 Fund is for recording federal and state monies used for disaster assistance. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has a Cemetery Bequest Fund, which is classified as a Permanent Fund, which accounts for monies donated, to be maintained in perpetuity, with investment earnings to be used for maintenance of the Township's cemeteries.

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note. There were no modifications having substantial support.

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

Budgetary Process

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

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

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

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

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

To improve cash management, cash received by the Township is deposited into a checking account which earns .30 percent interest. In 2005, interest credited to the General Fund was \$217.

Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represents special revenue funds restricted to a specific use.

Inventory and Prepaid Items

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

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include gasoline tax receipts used for the upkeep of Township roads and bridges and FEMA grants which are used for disaster assistance.

Capital Assets

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

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide statements, transfers within governmental activities are eliminated.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last audit period the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This audit period the Township has implemented the cash basis of accounting. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of fund equity due to this change.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparisons of actual results with the budget. The differences between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no outstanding encumbrances at year-end for 2005.

5. DEPOSITS

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

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, including negotiable order of withdrawal (NOW) accounts.

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

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

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS (CONTINUED)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligation described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution, to secure the repayment of all public monies deposited with the institution. The Citizens National Bank of Woodsfield is the financial institution for Sharon Township.

Deposits:

At year ended December 31, 2005, the carrying amount of the Township's deposits was \$117,628 and the bank balance was \$128,006. Of the bank balance, \$100,000 was covered by federal depository insurance and \$28,006 was collateralized by the financial institution's public entity deposit pool. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Township to a successful claim by the Federal Deposit Insurance Corporation.

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY TAXES

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

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

Tangible personal property tax is assessed by the property owners, who must be 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.

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

Real Property	
Residential	\$ 1,617,920
Agriculture	3,798,800
Commercial/Industrial/Mineral	203,340
Public Utility Property	
Real	-
Personal	332,700
Tangible Personal Property	323,280
Total Assessed Value	<u>\$ 6,276,040</u>

7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with Selective Insurance Company of the Southeast, an independent insurance company. Coverage provided by the Selective Insurance Company of the Southeast is as follows:

Legal Liability	\$2,000,000 Per Occurrence
Automobile Liability	\$2,000,000 Per Occurrence
Wrongful Acts	\$2,000,000 Per Occurrence
Property	\$ 5,849 Total Insured Liability

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

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Ohio Public Employees Retirement System

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

For the years ended December 31, 2005, the members in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$4,012, \$3,877, and \$3,798, respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$4,012 made by the Township and \$2,517 made by the plan members.

Post Employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State Statute. The 2005 local government contribution rate was 13.55 percent of covered payroll, 4 percent of covered payroll was the portion that was used to fund health care.

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 percent and 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits was \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

9. TRANSFERS

Following is a summary of transfers in and out for all funds for 2005:

Fund	Transfer In	Transfer Out
General Fund	\$ 1,849	\$ -
Gasoline Tax Fund	21,232	-
FEMA Fund	-	13,537
Other Governmental Funds	2,406	11,950
Totals	\$ 25,487	\$ 25,487

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

**SHARON TOWNSHIP
NOBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

10. COMPLIANCE AND ACCOUNTABILITY

Contrary to Ohio Revised Code Section 5705.39, in 2005, the General Fund had appropriations greater than estimated resources by \$42,692.

Contrary to Ohio Revised Code 5705.41(D), the Township did not receive prior certification for 33% of expenditures made.

Both of the above are described more fully in the Schedule of Findings.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sharon Township as of and for the year ended December 31, 2005, and have issued our report thereon dated June 20, 2006, wherein we noted the Township followed the cash basis of accounting, a comprehensive accounting basis other than 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 Sharon 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 an opinion 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated June 20, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sharon Township's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as items 2005-01 to 2005-03. We also noted certain immaterial instances of noncompliance that we have reported to the management of Sharon Township in a separate letter dated June 20, 2006.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 20, 2006

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-01

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of 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 encumbrance.

Prior certification was not obtained for 33% in 2005 of the expenditures tested.

The Fiscal Officer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Township can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Fiscal Officer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Fiscal Officer without subsequent authorization from the Trustees. However, then and now certificates issued by the Fiscal Officer over \$3,000 must be authorized by the Trustees within thirty days after payment.

Client Response: We agree with finding and will try to improve in the future.

FINDING NUMBER 2005-02

Ohio Revised Code 5705.39 states that appropriations cannot exceed estimated resources per fund type. The following funds were in violation of 5705.39.

<u>2005</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$ 242	\$ 42,934	\$ (42,692)

Client Response: We agree with finding and will monitor budget more closely and make appropriate adjustments.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-03

Section 5705.10, Oho Revised Code indicates that money paid into a fund must be only used for the purposes for which the fund has been established. The Township had a negative fund balance in the general fund, which indicates that money from one fund was used to cover expenses of another fund.

We recommend the Township formulate a plan to eliminate negative fund balances.

Client Response: We agree with finding and will monitor budget more closely and make appropriate adjustments.

**SHARON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-01	ORC 5705.41 (D) (1) Fiscal certificates dated after invoice.	No	Not Corrected: Included in report as finding 2005-01.
2004-02	ORC 5705.39 Appropriations exceeding estimated resources.	No	Not Corrected: Included in report as finding 2005-02.
2004-03	ORC 5705.10 Negative fund balances.	No	Not Corrected: Included in report as finding 2005-03.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

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
AUGUST 8, 2006**