



Dave Yost • Auditor of State



SHARON TOWNSHIP  
NOBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	23

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Sharon Township  
Noble County  
14475 Fogle Road  
Caldwell, Ohio 43724

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Sharon Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

During a prior audit for the period from January 1, 2010 to December 31, 2011, the Township's audit report contained three Finding for Adjustments, which have not been made by the Township as of the date of this report. The cumulative effect of these adjustments from the prior audit not being made would decrease the General Fund cash fund balance by \$5,106 and increase the Special Revenue Fund cash balance by \$5,106. The Township declined to make these adjustments.

During 2012, the Fiscal Officer improperly allocated the Fiscal Officer's salary and Trustees' salary to an improper fund, paid the fire contract from an improper fund, and improperly posted revenues to incorrect funds, in the cumulative amount of \$7,902. The cumulative effect of these proposed 2012 adjustments and the unposted prior year adjustments, in the amount of \$5,106, to the 2012 financial statements would decrease the General Fund cash fund balance by \$13,008 and increase the Special Revenue Fund cash balance by \$13,008. The Township declined to make these adjustments.

During 2013, the Fiscal Officer improperly allocated the Fiscal Officer's insurance reimbursement and Trustees' salary to an improper fund, paid the fire contract from an improper fund, and improperly posted revenues to incorrect funds, in the cumulative amount of \$3,714. The cumulative effect of these proposed 2013 and unposted 2012 adjustments, in the amount of \$7,902, and the unposted prior year adjustments, in the amount of \$5,106, to the 2013 financial statements would decrease the General Fund cash fund balance by \$16,722 and increase the Special Revenue Fund cash balance by \$16,722. The Township declined to make these adjustments.

***Adverse Opinion on Regulatory Basis of Accounting***

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Sharon Township, Noble County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 8 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 13, 2014

**This page intentionally left blank.**



**SHARON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$16,028			\$16,028
Intergovernmental	6,733	\$94,931		101,664
Earnings on Investments	28	41	\$2	71
Miscellaneous	1,098	423		1,521
<i>Total Cash Receipts</i>	<u>23,887</u>	<u>95,395</u>	<u>2</u>	<u>119,284</u>
<b>Cash Disbursements</b>				
Current:				
General Government	19,945	480		20,425
Public Safety	513			513
Public Works	1,989	89,552		91,541
<i>Total Cash Disbursements</i>	<u>22,447</u>	<u>90,032</u>	<u>0</u>	<u>112,479</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,440	5,363	2	6,805
<i>Fund Cash Balances, January 1</i>	<u>11,459</u>	<u>171,262</u>	<u>1,119</u>	<u>183,840</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			1,121	1,121
Restricted		169,095		169,095
Committed		7,530		7,530
Assigned	9,394			9,394
Unassigned (Deficit)	3,505			3,505
<i>Fund Cash Balances, December 31</i>	<u>\$12,899</u>	<u>\$176,625</u>	<u>\$1,121</u>	<u>\$190,645</u>

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$16,515	\$3,340		\$19,855
Intergovernmental	14,046	91,288		105,334
Earnings on Investments	63	94	\$1	158
Miscellaneous	11			11
<i>Total Cash Receipts</i>	<u>30,635</u>	<u>94,722</u>	<u>1</u>	<u>125,358</u>
<b>Cash Disbursements</b>				
Current:				
General Government	17,651	540		18,191
Public Works	2,153	107,778		109,931
<i>Total Cash Disbursements</i>	<u>19,804</u>	<u>108,318</u>	<u>0</u>	<u>128,122</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	10,831	(13,596)	1	(2,764)
<i>Fund Cash Balances, January 1 (restated, see Note 2)</i>	<u>628</u>	<u>184,858</u>	<u>1,118</u>	<u>186,604</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			1,119	1,119
Restricted		163,732		163,732
Committed		7,530		7,530
Assigned	11,459			11,459
<i>Fund Cash Balances, December 31</i>	<u>\$11,459</u>	<u>\$171,262</u>	<u>\$1,119</u>	<u>\$183,840</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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

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

**C. Deposits**

The Township has one interest-bearing checking account and one interest-bearing savings account.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement, which was placed in a savings account. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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 approve estimated resources.

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**2. Restatement of Fund Balances**

The Township recorded a fund balance adjustment due to an expenditure posted incorrectly in the 2011-2010 audit report that was not recorded in the Township's books until the current audit period.

Fund	Fund Balances at December 31, 2011	Restatement Amount	Fund Balances at January 1, 2012
Special Revenue	\$184,927	(\$69)	\$184,858
Permanent	1,049	69	1,118

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	\$189,845	\$183,040
Other time deposits (savings account)	800	800
Total deposits	\$190,645	\$183,840

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

**4. Budgetary Activity**

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,632	\$23,887	\$2,255
Special Revenue	95,390	95,395	5
Permanent	5	2	(3)
Total	\$117,027	\$119,284	\$2,257

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,091	\$22,447	\$10,644
Special Revenue	266,721	90,032	176,689
Permanent	1,056	0	1,056
Total	\$300,868	\$112,479	\$188,389

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,606	\$30,635	(\$18,971)
Special Revenue	242,684	94,722	(147,962)
Permanent	1,515	1	(1,514)
Total	\$293,805	\$125,358	(\$168,447)

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$19,804	(\$19,804)
Special Revenue	0	108,318	(108,318)
Permanent	0	0	0
Total	\$0	\$128,122	(\$128,122)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Special Revenue Funds for the year ended December 31, 2012. This was due to no appropriation resolution being passed by the Board of Trustees.

**5. Property Tax**

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

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

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. Risk Management**

The Township has obtained commercial insurance for the following risks:

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Financial Difficulties**

At December 31, 2013, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2010, 2011 and 2012 that the Township declined to make in those years):

<u>Fund</u>	<u>12/31/13 Balance</u>	<u>Adjustments Not Made</u>	<u>Effect on 12/31/13 Balance</u>
General	\$12,899	(\$16,722)	(\$3,823)
Special Revenue	176,625	16,722	193,347

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type affect the Motor Vehicle License Tax Fund in the amount of \$8,656, the Gasoline Tax Fund in the amount of \$8,407, the Road and Bridge Fund in the amount of (\$68) and the Permissive Motor Vehicle License Tax Fund in the amount of (\$273).





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Sharon Township  
Noble County  
14475 Fogle Road  
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements Sharon Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit. Also, we issued an adverse opinion on the 2013 and 2012 regulatory financial statements due to the Township declining to make adjustments for mispostings.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2013-001 through 2013-005 and 2013-008 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-009 described in the accompanying Schedule of Findings to be a significant deficiency.

***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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-007.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 13, 2014

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2013-001**

**Finding for Adjustment/Noncompliance/Material Weakness**

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code § 505.24 and § 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. After the passage of H.B. 153, the Board of Trustees continued the practice of what was previously required under the statute - documenting their time on timesheets. The Board, however, did not prepare any payroll certifications for 2013 and 2012 as required.

During the prior audit period January 1, 2010 to December 31, 2011, the Fiscal Officer did not allocate the Board of Trustee corresponding benefits for Ohio Public Employees Retirement System (OPERS) employer and employee share of retirement payments to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings, in the amount of \$615. The Trustees' employer and employee share of OPERS were paid entirely from the Gasoline Tax Fund during 2011. A citation was included in the 2010-2011 audit as noted in the Schedule of Prior Audit Findings, as Finding Number 2011-001.

For the audit period January 1, 2012 to December 31, 2013, the Township prepared timesheets but did not prepare payroll certifications. The time and function charged on the timesheets did not match the allocation of charges to the appropriate funds for both years under audit. As a result, in 2013, the Gasoline Tax Fund was overcharged \$2,125 and the General Fund was undercharged by \$2,125. During 2012, the Gasoline Tax Fund was overcharged by \$1,887 and the General Fund was undercharged by \$1,887.

The Township has failed to post adjustments to the Township records based on the citations in the previous audits. Therefore, the amounts cited in the previous finding for adjustments have accumulated. In accordance with the foregoing facts, we hereby issue a finding for adjustment in the amount of \$4,627 against the Sharon Township General Fund and in favor of the Sharon Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$4,627. The Fiscal Officer has not posted this adjustment to the accounting records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township review H.B. 153, as well as Ohio Rev. Code §§ 505.24 and 507.09, and adopt formal administrative procedures regarding signed certifications of the allocation of payroll by each Trustee for each monthly pay period. The Fiscal Officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the General Fund, no certification is required.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-002**

**Finding for Adjustment/Noncompliance/Material Weakness**

Ohio Rev. Code § 507.09(C) states a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

During the prior audit period January 1, 2010 to December 31, 2011, the Fiscal Officer charged a portion of her Ohio Public Employees Retirement System (OPERS) employer and employee share for retirement payments from the Gasoline Tax Fund in the amount of \$2,114 in 2010. The Fiscal Officer's 2010 salary was paid entirely from the General Fund. A citation was included in the 2010-2011 audit as noted in the Schedule of Prior Audit Findings, as Finding Number 2011-002.

For the audit period January 1, 2012 to December 31, 2012, the Fiscal Officer paid a portion of her salary from the Gasoline Tax Fund in the amount of \$821 yet no certification was prepared or completed to support the time charged to a fund other than the General Fund.

For the audit period January 1, 2013 to December 31, 2013, the Fiscal Officer paid a portion of her insurance premiums from the Gasoline Tax Fund in the amount of \$263 with no certification completed to support the time charged to a fund other than the General Fund.

The Township has failed to post adjustments to the Township records based on the citations in the previous audits. Therefore, the amounts cited in the previous finding for adjustments have accumulated. In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Sharon Township General Fund, in the amount of \$3,198 and in favor of the Sharon Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$3,198. The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend that the Fiscal Officer pay her salary from the General Fund or provide payroll certifications based on the services rendered to support the amount of her salary paid from funds other than the General Fund. In addition, fringe benefits, including payroll taxes and insurance reimbursements, should be allocated in the same proportion as salaries.

**FINDING NUMBER 2013-003**

**Finding for Adjustment/Noncompliance/Material Weakness**

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-003 (Continued)**

**Finding for Adjustment/Noncompliance/Material Weakness – Ohio Rev. Code § 5705.10(D)  
(Continued)**

During the prior audit period January 1, 2010 to December 31, 2011, in 2010, the Fiscal Officer incorrectly posted \$1,591 of motor vehicle license tax revenues to the Permissive Motor Vehicle License Tax Fund instead of the Motor Vehicle License Tax Fund.

During 2011, we noted the Fiscal Officer incorrectly posted the following:

- \$3,124 of motor vehicle license tax revenues to the General Fund in the amount of \$2,332 and the Permissive Motor Vehicle License Tax Fund in the amount of \$792 instead of the Motor Vehicle License Tax Fund;
- \$563 of homestead and rollback revenues to the Road and Bridge Fund instead of the General Fund; and
- \$608 of permissive license plate tax revenues to the General Fund instead of the Permissive Motor Vehicle License Tax Fund.

A citation was included in the 2010-2011 audit as noted in the Schedule of Prior Audit Findings, as Finding Number 2011-003.

During 2012, the Fiscal Officer incorrectly posted motor vehicle license tax monies to the General Fund in the amount of \$3,359 instead of the Motor Vehicle License Tax Fund. Also, the Fiscal Officer incorrectly posted homestead and rollback revenues to the General Fund in the amount of \$495 instead of the Road and Bridge Fund.

Also, during 2013 and 2012, the Fiscal Officer incorrectly posted permissive license plate tax monies to the General Fund in the amount of \$744 and \$758, respectively, instead of the Permissive Motor Vehicle License Tax Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Sharon Township General Fund in the amount of \$7,733, the Sharon Township Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$273, and the Sharon Township Road and Bridge Fund, Special Revenue Fund type, in the amount of \$68, and in favor of the Sharon Township Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$8,074. The Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

**FINDING NUMBER 2013-004**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 5705.10(H) states that money paid into any fund shall only be used for the purposes for which such fund is established.

The Township paid fire contracts from the Motor Vehicle License Tax Fund in the amount of \$582 in 2013 and from the Gasoline Tax Fund in the amount of \$582 in 2012. The Motor Vehicle License Tax Fund and the Gasoline Tax Funds are restricted in regards to allowable expenditures. Payment for fire protection services is not an allowable expenditure for the Motor Vehicle License Tax Fund or Gasoline Tax Fund.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-004 (Continued)**

**Finding for Adjustment/Noncompliance/Material Weakness – Ohio Rev. Code § 5705.10(H)  
(Continued)**

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Sharon Township General Fund, in the amount of \$1,164 and in favor of the Sharon Township Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$582 and the Sharon Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$582. The Fiscal Officer has not posted these adjustments to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Fiscal Officer follow Ohio Revised Code § 5705.10(H) prior to making expenditures from funds which have a specific purpose.

**FINDING NUMBER 2013-005**

**Noncompliance/Material Weakness**

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2013, the Fiscal Officer posted certain revenue transactions incorrectly as follows:

- Permissive license place tax monies in the amount of \$83 was posted to General Fund taxes twice;
- Local government monies received in the amount of \$412 was posted to General Fund intergovernmental twice;
- Gasoline excise tax monies in the amount of \$4,879 was posted to Gasoline Tax intergovernmental twice;
- Cents per gallon tax monies in the amount of \$2,640 was posted to Gasoline Tax intergovernmental twice;
- Motor vehicle license tax monies in the amount of \$671 was posted to Motor Vehicle License taxes twice;

These errors were due to a lack of management oversight. As a result, these significant adjustments, with which the Township's management agrees, were made to the financial statements, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-006**

**Noncompliance**

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

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

For 2013, no temporary appropriations were approved in the minutes, and permanent appropriations were not passed until March 14, 2013. For 2012, no temporary or permanent appropriations were approved in the minutes, and no permanent appropriations were filed with the County Auditor. This caused expenditures to exceed appropriations for all funds during 2012 and caused expenditures to exceed appropriations for all funds from January 20 to March 14, 2013.

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

**FINDING NUMBER 2013-007**

**Noncompliance**

Ohio Rev. Code § 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.

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-007 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

1. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates 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 the legislative authority against any specific line item account over a period not 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.
3. 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitment for one hundred percent of the expenditures tested in 2013 and 2012, and there was no evidence the Township followed the aforementioned exceptions.

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

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2013-008**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.



**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-008 (Continued)**

**Material Weakness (Continued)**

At December 31, 2013, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Receipts per Budget Commission	Estimated Receipts per UAN Revenue Status Report	Variance
General	\$21,632	\$35,580	(\$13,948)
Motor Vehicle License Tax	9,560	6,592	2,968
Gasoline Tax	85,080	85,525	(445)
Road and Bridge	0	3,350	(3,350)
Permissive Motor Vehicle License Tax	750	30	720

At December 31, 2012, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Receipts per Budget Commission	Estimated Receipts per UAN Revenue Status Report	Variance
General	\$49,606	\$0	\$49,606
Motor Vehicle License Tax	21,978	0	21,978
Gasoline Tax	212,582	0	212,582
Road and Bridge	6,008	0	6,008
Permissive Motor Vehicle License Tax	2,116	0	2,116
Trust Fund	1,515	0	1,515

At December 31, 2012, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers or for the following funds:

Fund	Appropriations per Board of Trustees	Appropriations per UAN Appropriation Status Report	Variance
General	\$0	\$33,256	(\$33,256)
Motor Vehicle License Tax	0	16,245	(16,245)
Gasoline Tax	0	157,575	(157,575)
Road and Bridge	0	7,850	(7,850)
Permissive Motor Vehicle License Tax	0	5,000	(5,000)
Trust Fund	0	1,515	(1,515)

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-008 (Continued)**

**Material Weakness (Continued)**

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**FINDING NUMBER 2013-009**

**Significant Deficiency**

The Board of Trustees agreed during a monthly board meeting to pre-sign blank checks in order for the Fiscal Officer to pay bills prior to monthly meetings.

Although the Trustees approve all disbursements, if checks are pre-signed the approval would happen after the payment has been made. This method of pre-signing checks could result in an inadequate segregation of duties, since the Fiscal Officer performed all accounting functions prior to Trustee review, and could allow errors and/or irregularities to occur and remain undetected.

We recommend that no payments be made before all voucher packages are reviewed by the Board of Trustees and no checks be pre-signed under any circumstance.

**Officials' Response:**

Management declined to respond any of the aforementioned findings.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-001	Ohio Rev. Code § 505.24(C) – The Trustees’ OPERS was paid entirely from the Gasoline Tax Fund instead of being paid from the General Fund in relation to salaries for administrative duties performed. A finding for adjustment was issued in the amount of \$615.	No	Not Corrected; Repeated as Finding 2013-001.
2011-002	Ohio Rev. Code § 507.09(C) – A portion of the Fiscal Officer’s OPERS was paid from the Gasoline Tax Fund. A finding for adjustment was issued in the amount of \$2,114.	No	Not Corrected; Repeated as Finding 2013-002.
2011-003	Ohio Rev. Code § 5705.10(D) – The Fiscal Officer incorrectly posted motor vehicle license tax revenues, homestead and rollback revenues and permissive license plate tax revenues in 2010 and 2011. A finding for adjustment was issued against the General Fund, \$2,377; Road and Bridge Fund, \$563; Permissive Motor Vehicle License Tax Fund, \$1,775; and in favor of the Motor Vehicle License Tax Fund in the amount of \$4,715.	No	Not Corrected; Repeated as Finding 2013-003.
2011-004	Ohio Rev. Code § 5705.41(D)(1) – The Township did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested in 2011 and 2010.	No	Not Corrected; Repeated as Finding 2013-007.
2011-005	Ohio Rev. Code § 5705.41(B) – The Township had expenditures in excess of appropriations in all funds in 2011 and at the legal level of control for several General Fund line items in 2010.	No	Not Corrected; Repeated as Finding 2013-006.
2011-006	Ohio Rev. Code § 5705.38(A) – The Township did not adopt a temporary appropriation or permanent appropriation resolution for 2011 and no temporary appropriations was adopted for 2010 with permanent appropriation resolution not filed with the County Auditor until December 7, 2010.	No	Not Corrected; Repeated as Finding 2013-006.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-007	Estimated Receipts as approved by the Budget Commission did not agree to the amounts posted to the UAN system for all funds in 2010 and 2011. Appropriations as approved by the Board of Trustees did not agree to the amounts posted to the UAN system in 2010 and 2011 in all funds.	No	Not Corrected; Repeated as Finding 2013-008.
2011-008	Numerous misclassifications were noted in the Township's financials statements in 2010 and 2011.	No	Not Corrected; Repeated as Finding 2013-005.



# Dave Yost • Auditor of State

**SHARON TOWNSHIP**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 2, 2014**