

**SHARON TOWNSHIP  
NOBLE COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2014 - DECEMBER 31, 2015**





# Dave Yost • Auditor of State

Board of Trustees  
Sharon Township  
14475 Fogle Road  
Caldwell, Ohio 43724

We have reviewed the *Independent Auditor's Report* of Sharon Township, Noble County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Noncompliance/Finding for Adjustment**

Ohio Rev. Code §507.09(E) sets forth the method by which township fiscal officer's compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code §507.09 required township fiscal officers to certify the amount of work performed on restricted funds. Prior to House Bill 153, the compensation of a township fiscal officer was to be paid from the township general fund.

During 2015, the Township paid \$792 from the Motor Vehicle License Tax Fund, \$3,000 from the Gasoline Tax Fund, and \$1,136 from the Road and Bridge Fund for the Fiscal Officer's salary and fringe benefits. The cumulative amount that should have been paid out of the General Fund was \$4,928. The Township declined to make this adjustment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.38, we hereby issue a Finding for Adjustment in the amount of \$4,928 against the General Fund and in favor of the Motor Vehicle License Tax Fund for \$792, the Gasoline Tax Fund for \$3,000 and the Road and Bridge Fund for \$1,136. The Fiscal Officer has not posted these adjustments to the Township's records, and therefore, these adjustments are not reflected in the accompanying financial statements.

**Noncompliance/Finding for Adjustment**

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

A fire contract was made from the Motor Vehicle License Tax Fund in the amount of \$600 in 2014, and the Gasoline Tax Fund in the amount of \$600 in 2015. These fire contract payments should have been made from the Township's General Fund.

A finding for adjustment is hereby issued against the General Fund, in the amount of \$1,200 and the Motor Vehicle License Tax Fund for \$600 and the Gasoline Tax Fund for \$600. The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost  
Auditor of State

October 6, 2016

**SHARON TOWNSHIP  
NOBLE COUNTY  
JANUARY 1, 2014 - DECEMBER 31, 2015**

**TABLE OF CONTENTS**

Table of Contents	( i )
Independent Auditors' Report	1-3
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2015	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2014	5
Notes to the Financial Statements	6-11
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.	12
Schedule of Audit Findings	14
Schedule of Prior Audit Findings	20

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Sharon Township  
Noble County  
14475 Fogle Road  
Caldwell, Ohio 43724

To the Township Trustees:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Sharon Township, Noble County, as of and for the years ended December 31, 2015 and 2014.

**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 Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

### **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 Sharon Township, Noble County as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

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

During a prior audit 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 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 Trustee' salary to an improper fund, paid the fire contract from an improper fund, and improperly posted revenues t revenues to incorrect funds, in the cumulative amount of \$7,902. The cumulative effect of these proposed 2012 adjustments and the unposted prior audit adjustments, in the amount of \$5,106 to the 2012 financial statements would decrease the General Fund cash 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 2012 adjustments, in the amount of \$7,902 and the unposted prior audit adjustments, in the amount of \$5,106, to the 2013 financial statements would decrease the General Fund cash balance by \$16,722 and increase the Special Revenue Fund cash balance by \$16,722. The Township declined to make these adjustments.

During 2015 and 2014, the Fiscal Officer improperly allocated the Fiscal Officer's salary (2015 only) to an improper fund and paid the fire contract (2015 and 2014) from an improper fund, in the cumulative amount of \$6,128. The cumulative effect of these proposed 2015 and 2014 adjustments and the unposted prior audit adjustments, in the amount of \$16,722 to the 2015 financial statements would decrease the General Fund cash balance by \$22,850 and increase the Special Revenue Fund cash balance by \$22,850. The Township declined to make these adjustments.

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

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Regulatory Basis* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Sharon Township, Noble County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, 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 be 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 a report dated July 8, 2016, on our consideration of Sharon 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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 8, 2016



**SHARON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 20,312		\$ -	\$ 20,312
Intergovernmental	15,884	97,226	-	113,110
Earnings on Investments	16	25	-	41
Miscellaneous	10	1,623	-	1,633
<b>Total Cash Receipts</b>	<u>36,222</u>	<u>98,874</u>	-	<u>135,096</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	16,160	1,000	-	17,160
Public Works	2,241	104,761	-	107,002
<b>Total Cash Disbursements</b>	<u>18,401</u>	<u>105,761</u>	-	<u>124,162</u>
<b>Net Change in Fund cash Balance</b>	17,821	(6,887)	-	10,934
<b>Fund Cash Balances, January 1</b>	<u>20,985</u>	<u>156,795</u>	<u>1,122</u>	<u>178,902</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	1,122	1,122
Restricted	-	145,426	-	145,426
Committed	-	4,482	-	4,482
Unassigned (Deficit)	38,806	-	-	38,806
<b>Fund Cash Balances, December 31</b>	<u>\$ 38,806</u>	<u>\$ 149,908</u>	<u>\$ 1,122</u>	<u>\$ 189,836</u>

See notes to financial statements.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 22,607		\$ -	\$ 22,607
Intergovernmental	5,622	91,137	-	96,759
Earnings on Investments	16	24	1	41
Miscellaneous	1,593		-	1,593
<b>Total Cash Receipts</b>	<u>29,838</u>	<u>91,161</u>	<u>1</u>	<u>121,000</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	19,452	757	-	20,209
Public Works	2,300	110,234	-	112,534
<b>Total Cash Disbursements</b>	<u>21,752</u>	<u>110,991</u>	<u>-</u>	<u>132,743</u>
<b>Net Change in Fund cash Balance</b>	8,086	-	(19,830)	(11,743)
<b>Fund Cash Balances, January 1</b>	<u>12,899</u>	<u>176,625</u>	<u>1,121</u>	<u>190,645</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	1,122	1,122
Restricted	-	151,177	-	151,177
Committed	-	5,618	-	5,618
Unassigned (Deficit)	20,985	-	-	20,985
<b>Fund Cash Balances, December 31</b>	<u>\$ 20,985</u>	<u>\$ 156,795</u>	<u>\$ 1,122</u>	<u>\$ 178,902</u>

See notes to financial statements.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**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 publically-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's 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:

**General Fund**

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

**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 monies to pay for constructing, maintaining, and repairing Township roads.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**D. Fund Accounting (Continued)**

**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 reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

**Cemetery Bequest Fund** – This fund receives interest earned on the nonspendable 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 and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 2015 and 2014 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 FINANCIAL STATEMENTS**

**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.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**2. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand Deposits	\$ 189,836	\$ 178,902
	\$ 189,836	\$ 178,902

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 27,100	\$ 36,222	\$ 9,122
Special Revenue	96,920	98,874	1,954
Permanent	5	-	(5)
Total	\$ 124,025	\$ 135,096	\$ 11,071

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,822	\$ 18,401	\$ 32,421
Special Revenue	254,701	105,761	148,940
Permanent	1,127	-	1,127
Total	\$ 306,650	\$ 124,162	\$ 182,488

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,420	\$ 29,838	\$ 5,418
Special Revenue	95,620	91,161	(4,459)
Permanent	5	1	(4)
Total	\$ 120,045	\$ 121,000	\$ 955

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (CONTINUED)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 37,814	\$ 21,752	\$ 16,062
Special Revenue	280,505	110,991	169,514
Permanent	1,057	-	1,057
Total	\$ 319,376	\$ 132,743	\$ 186,633

Contrary to ORC 5705.39, in 2015, the Township had funds in which appropriations were greater than estimated resources.

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification of funds available.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2015.

**6. RISK MANAGEMENT**

The Township is has obtained commercial insurance for the following risks:

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

**SHARON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**7. FINANCIAL DIFFICULTIES**

At December 31, 2015, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2010, 2011, 2012 and 2013 that the township declined to make in those years):

<u>Fund</u>	<u>12/31/15 Balance</u>	<u>Adjustments Not Made</u>	<u>Effect on 12/31/15 Balance</u>
General	\$ 38,806	\$ (22,850)	\$ 15,956
Special Revenue	149,908	22,850	172,758

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 \$10,048, the Gasoline Tax Fund in the amount of \$12,006, the Road and Bridge Fund in the amount of \$1,069 and the Permissive Motor Vehicle License Tax Fund in the amount of (\$273).



**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Sharon Township  
Noble County  
14475 Fogle Road  
Caldwell, Ohio 43724

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Sharon Township, Noble County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 8, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Also, we issued an adverse opinion on the 2015 and 2014 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 Sharon 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 first 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2015-001, 2015-002, 2015-003 and 2015-006 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Sharon 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed six instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001, 2015-002, 2015-003, 2015-004, 2015-005 and 2015-007.

***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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 8, 2016

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-001**

**Prior 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 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 employees 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 not 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.

For the audit period January 1, 2015 through December 31, 2015, the Fiscal Officer paid a portion of her salary from the MVL Tax Fund, Gasoline Tax Fund and Road & Bridge Fund in the amount of \$792, \$2,999 and \$1,137, respectively. It was noted in an e-mail from the prior audit that the fiscal officer was informed that her salary could be allocated but a certification would need to be completed. There were no certifications completed that would allow the salary to be posted to any other 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 prior finding for adjustment has been issued against 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. The 2015 adjustments have not been posted to the Township records and are 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.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-002**

**Prior 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 \$600 in 2014 and from the Gasoline Tax Fund in the amount of \$600 in 2015. 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.

In accordance with the foregoing facts, a prior finding for adjustment has been 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. The 2014 and 2015 adjustments have not been posted to the Townships records and are 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 2015-003**

**Noncompliance/Material Weakness**

Ohio Admin. Code § 117-2-02 (A) states that all local public 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 2014, the Fiscal Officer posted certain revenue transactions incorrectly as follows:

- Property Tax Rollbacks in the amount of \$1,176 were posted to Real Estate Taxes, and Property Tax Rollbacks in the amount of \$1,140 were posted to Miscellaneous Non-operating Receipts, respectively.

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 statement.

We recommend the Fiscal Officer refer to 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, 2015 AND 2014**

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

**Finding Number 2015-004**

**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.

Appropriations for 2015 and 2014 were approved on April 9, 2015 and April 10, 2014, which is beyond the date required for passage, even if temporary appropriations had been approved..

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

**Finding Number 2015-005**

**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, 2015 AND 2014**

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

**Finding Number 2015-005 (Continued)**

**Noncompliance (Continued)**

2. 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.
3. 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.
4. 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 commitments for 76% of the expenditures tested in 2015 and 2014, 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 Revised Code § 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-006**

**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.

At December 31, 2015, 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	\$ 27,100	\$ 29,837	\$ (2,737)
MVL Tax	9,450	4,432	5,018
Gasoline Tax	86,700	86,722	(22)
Road & Bridge	-	5,618	(5,618)
Permissive MVL Tax	770	8	762
Permanent	5	-	(5)

At December 31, 2014, 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	\$ 24,420	\$ 13,394	\$ 11,026
MVL Tax	9,450	25,096	(15,646)
Gasoline Tax	85,430	150,954	(65,524)
Road & Bridge	-	7,530	(7,530)
Permissive MVL Tax	740	1,305	(565)
Permanent	5	1,052	(1,047)

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 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.

**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-007**

**Noncompliance**

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

Fund	Year	Estimated Resources	Appropriations	Variance
General	2015	\$ 48,085	\$ 50,822	\$ (2,737)
Gasoline Tax	2015	217,491	217,876	(385)
Road & Bridge	2015	5,618	11,236	(5,618)
Permissive MVL	2015	795	796	(1)

We recommend the Trustees review estimated resources versus appropriations throughout the year. Also, the Trustees should not approve appropriations greater than estimated resources. This could result in the Township spending more money than it receives and could cause possible negative fund balances.

**Officials' Response:**

Management declined to respond to any of the aforementioned findings.



**SHARON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2013-001	Finding For Adjustment ORC 505.24 ( C ) Trustees salary	No	Not Corrected See Prior Audit Report
2013-002	Finding For Adjustment ORC 507.09 ( C ) Fiscal Officer salary	No	Not Corrected Repeated as Finding 2015-001
2013-003	Finding for Adjustment ORC 5705.10(D) Revenue posted to funds	Yes	Finding No Longer Valid
2013-004	Finding for Adjustment ORC 5705.10 (H) money paid into fund and its use	No	Not Corrected Repeated as Finding 2015-002
2013-005	Material Weakness Accounting errors	No	Not Corrected Repeated as Finding 2015-003
2013-006	Noncompliance ORC 5705.38 (A) Appopriation measure being passed	No	Not Corrected Repeated as Finding 2015-004
2013-007	Noncompliance ORC 5705.41(D) expenditures without certification	No	Not Corrected Repeated as Finding 2015-005
2013-008	Material Weakness Budgetary accounts not agreeing to approved amounts	No	Not Corrected Repeated as Finding 2015-006
2013-009	Significant Deficiency pre-signed checks prior to approval for payment	Yes	Finding No Longer Valid

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# 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  
OCTOBER 18, 2016