

SHARON TOWNSHIP

MEDINA COUNTY

Audit Report

For the Years Ended December 31, 2011 and 2010

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Sharon Township
1322 Sharon-Copley Road
Sharon Center, Ohio 44281

We have reviewed the *Independent Accountants' Report* of Sharon Township, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 7, 2012

This page intentionally left blank.

**SHARON TOWNSHIP
MEDINA COUNTY, OHIO
For the Years Ending December 31, 2011 and 2010**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	4
Notes to the Financial Statements	5-11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12-13
Schedule of Findings.....	14-15
Schedule of Prior Audit Findings.....	16

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Sharon Township
Medina County
1322 Sharon-Copley Road
Sharon Center, Ohio 44281

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Medina County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

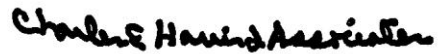
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Sharon Township, Medina County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Sharon Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

CHARLES E. HARRIS & ASSOCIATES, INC.

August 1, 2012

Sharon Township
Medina County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2011

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts				
Property and Other Local Taxes	\$ 271,411	\$1,075,425	-	\$ 1,346,836
Charges for Services	-	235	-	235
Licenses, Permits and Fees	49,199	1,920	-	51,119
Fines and Forfeitures	106	-	-	106
Intergovernmental	528,769	236,918	-	765,687
Special Assessments	-	312	-	312
Earnings on Investments	2,706	382	-	3,088
Miscellaneous	55,663	1,730	-	57,393
<i>Total Cash Receipts</i>	907,854	1,316,922	-	2,224,776
Cash Disbursements				
Current:				
General Government	317,628	62	-	317,690
Public Safety	103,951	469,300	-	573,251
Public Works	19,898	661,621	-	681,519
Health	2,235	-	-	2,235
Conservation-Recreation	2,733	-	-	2,733
Capital Outlay	34,320	37,021	-	71,341
<i>Total Cash Disbursements</i>	480,765	1,168,004	-	1,648,769
<i>Excess of Receipts Over (Under) Disbursements</i>	427,089	148,918	-	576,007
Other Financing Receipts (Disbursements)				
Advances In	9,000	10,500	-	19,500
Advances Out	(10,500)	(9,000)	-	(19,500)
<i>Total Other Financing Receipts (Disbursements)</i>	(1,500)	1,500	-	-
<i>Net Change in Fund Cash Balances</i>	425,589	150,418	-	576,007
<i>Fund Cash Balances, January 1</i>	721,195	1,153,467	1,000	1,875,662
Fund Cash Balances, December 31				
Restricted	-	1,303,885	1,000	1,304,885
Assigned	35,564	-	-	35,564
Unassigned	1,111,220	-	-	1,111,220
<i>Fund Cash Balances, December 31</i>	\$ 1,146,784	\$ 1,303,885	\$ 1,000	\$ 2,451,669

See accompanying Notes to the Financial Statements.

Sharon Township
Medina County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$ 275,742	\$ 940,602	-	\$ 1,216,344
Charges for Services	-	1,085	-	1,085
Licenses, Permits and Fees	46,497	1,105	-	47,602
Fines & Forfeitures	294	-	-	294
Intergovernmental Receipts	453,690	256,866	-	710,556
Special Assessments	-	625	-	625
Earnings on Investments	4,814	232	-	5,046
Miscellaneous	33,095	4,241	-	37,336
<i>Total Cash Receipts</i>	<u>814,132</u>	<u>1,204,756</u>	<u>-</u>	<u>2,018,888</u>
Cash Disbursements:				
Current:				
General Government	307,857	531	-	308,388
Public Safety	95,733	445,590	-	541,323
Public Works	21,736	966,109	-	987,845
Health	1,677	-	-	1,677
Conservation/Recreation	2,102	-	-	2,102
Capital Outlay	548,974	85,318	-	634,292
<i>Total Cash Disbursements</i>	<u>978,079</u>	<u>1,497,548</u>	<u>-</u>	<u>2,475,627</u>
<i>Total Receipts Over(Under) Disbursements</i>	(163,947)	(292,792)	-	(456,739)
Other Financing Sources/(Uses)				
Sale of Fixed Assets	-	1,258	-	1,258
Advances-In	5,800	5,800	-	11,600
Advances-Out	(5,800)	(5,800)	-	(11,600)
<i>Total Other Financing Sources/(Uses)</i>	<u>-</u>	<u>1,258</u>	<u>-</u>	<u>1,258</u>
<i>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</i>	(163,947)	(291,534)	-	(455,481)
<i>Fund Balance January 1</i>	<u>885,142</u>	<u>1,445,001</u>	<u>\$ 1,000</u>	<u>2,331,143</u>
<i>Fund Balance December 31</i>	<u>\$ 721,195</u>	<u>\$ 1,153,467</u>	<u>\$ 1,000</u>	<u>\$ 1,875,662</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$ 26,921</u>	<u>\$ 51,122</u>	<u>\$ -</u>	<u>\$ 78,043</u>

See accompanying Notes to the Financial Statements.

SHARON TOWNSHIP
MEDINA COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

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, Medina County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has a publicly elected Fiscal Officer. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, emergency medical services and police protection.

The Township participates in the Ohio Township Association Risk Management (OTARMA), a risk sharing pool available to Ohio townships. Note 6 to the financial statements provides additional information for this entity.

Public Entity Risk Pool: OTARMA

OTARMA provides property and casualty insurance for its members. It pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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 and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 reports all financial resources except those required to be accounted for in another fund.

SHARON TOWNSHIP
MEDINA COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. Summary of Significant Accounting Policies (continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

3. Permanent Funds

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

Cemetery Trust – This fund receives donation for the maintenance of the 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

SHARON TOWNSHIP
MEDINA COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

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

F. Fund Balance

For December 31, 2011, 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.

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.

SHARON TOWNSHIP
MEDINA COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. Summary of Significant Accounting Policies (continued)

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

Per Township policy, any unused paid time off will not be paid to an employee who separates from employment with the Township, regardless of whether the employee quits, is terminated for cause, or is otherwise terminated. Pro-rate paid time off may be paid out of employees upon retirement who have a minimum of ten years of continuous service with the Township. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments 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:

		2011		2010
Demand deposits	\$	1,334,178	\$	758,798
STAR Ohio investments		1,117,491		1,116,864
 Total deposits and investments	 \$	 2,451,669	 \$	 1,875,662

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

Fund Type	2011 Budgeted vs. Actual Receipts			
		Budgeted Receipts	Actual Receipts	Variance
General	\$	522,657	\$ 916,854	\$ 394,197
Special Revenue		1,394,600	1,327,422	(67,178)
Permanent		0	0	0
Total	\$	1,917,257	\$ 2,244,276	\$ 327,019

SHARON TOWNSHIP
MEDINA COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

3. Budgetary Activity (continued)

<u>2011 Budgeted vs. Actual Budgetary Disbursements</u>				
Fund Type	Appropriation Authority	Actual Disbursements	Variance	
General	\$ 1,038,332	\$ 526,829	\$	511,503
Special Revenue	2,474,537	1,177,004		1,297,533
Permanent	1,000	0		1,000
Total	\$ 3,513,869	\$ 1,703,833	\$	1,810,036

<u>2010 Budgeted vs. Actual Receipts</u>				
Fund Type	Budgeted Receipts	Actual Receipts	Variance	
General	\$ 574,181	\$ 819,932	\$	245,751
Special Revenue	1,288,982	1,211,814		(77,168)
Permanent	0	0		0
Total	\$ 1,863,143	\$ 2,031,746	\$	168,583

<u>2010 Budgeted vs. Actual Budgetary Disbursements</u>				
Fund Type	Appropriation Authority	Actual Disbursements	Variance	
General	\$ 1,114,069	\$ 1,010,800	\$	103,269
Special Revenue	2,544,949	1,554,470		990,479
Permanent	1,000	0		1,000
Total	\$ 3,660,018	\$ 2,565,270	\$	1,094,748

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in several funds for the year ended December 31, 2010.

4. 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.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

SHARON TOWNSHIP
MEDINA COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

5. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

6. Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

SHARON TOWNSHIP
MEDINA COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

6. Risk Management (continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$89,980.

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

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$143,064	\$121,595

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

7. Contingent Liabilities

The Township is currently not party to any claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Sharon Township
Medina County
1322 Sharon-Copley Road
Sharon Center, Ohio 44281

To the Board of Trustees:

We have audited the financial statements of Sharon Township, Medina County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 1, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Township implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-03 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2011-02 and 2011-03.

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

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 1, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, the Auditor of State and others within the Township. We intend it for no one other than these specified parties.

Charles Harris Associates

CHARLES E. HARRIS & ASSOCIATES, INC.

August 1, 2012

SHARON TOWNSHIP
MEDINA COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2011 & 2010

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

FINDING NUMBER 2011-01 – Material Weakness

A monitoring system should be in place to prevent or detect material misstatements for accurate presentation of the Township's financial statements and ledgers. Receipts and disbursements were not always properly posted into the accounting system.

During 2010 and 2011, the Village recorded various homestead and rollback receipts as property taxes and franchise fees as miscellaneous receipts. All transactions were reclassified in the audit report.

Officials' Response:

Going forward, the Fiscal Officer will ensure that these receipts are posted in the correct line items.

FINDING NUMBER 2011-02 Non-compliance

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

It was noted that total appropriations exceeded estimated resources in the following funds for the year ended December 31, 2010:

Motor Vehicle Tax \$6,038
Gasoline Tax \$2,938
Fire Levy Fund \$73,284
Special Assessment \$947

Officials' Response:

The Fiscal Officer is aware of the situation and will enter the budgetary accounts into the accounting system so that the Fiscal Officer and Council can better monitor the situation.

FINDING NUMBER 2011-03 Non-compliance and Material Weakness

Ohio Revised Code Section 505.24(C) requires that to be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. These proportions are a guide for use throughout the year; however, total payment for the fiscal year must be based on the cumulative actual service efforts during the fiscal year on restricted fund activity. If trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged.

We noted that Trustees were paid from funds other than the General Fund. However, the Trustees did not provide a certification stating the salary breakdown by fund. Adjustments were made to charge the full payroll of Trustees to the General Fund.

SHARON TOWNSHIP
MEDINA COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2011 & 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
--

FINDING NUMBER 2011-03 Non-compliance and Material Weakness – (continued)

We recommend that the Trustees fill out the required certification form detailing their time allocation prior to each payroll.

Officials' Response:

The adjustments have been made. Going forward, management will make sure that salaries are charged properly.

SHARON TOWNSHIP
 MEDINA COUNTY, OHIO
 December 31, 2011 and 2010

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-01	Receipts and disbursements not always posted into the accounting system	No	Reissued as Finding 2011-01
2009-02	Appropriations and estimated receipts not posted into accounting system	Yes	Finding no longer valid
2009-03	Bank reconciliation	Yes	Reconciling issues resolved
2009-04	ORC 5705.39 – Appropriations shall not exceed total resources	No	Reissued as Finding 2011-02
2009-05	ORC 5705.36(A)(4) – Amending estimated resources	Yes	Finding no longer valid
2009-06	ORC 5705.41(B)- Actual disbursements shall not exceed appropriations	No	Partially corrected; moved to Management Letter



Dave Yost • Auditor of State

SHARON TOWNSHIP

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 20, 2012**