



Dave Yost • Auditor of State



SHARON TOWNSHIP  
FRANKLIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Sharon Township  
Franklin County  
95 E. Wilson Bridge Road  
Worthington, Ohio 43085

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Sharon Township, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

### ***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 of America, to satisfy these 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, 2012 and 2011, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sharon Township, Franklin, Ohio as of December 31, 2012 and 2011, 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) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 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 12, 2014

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 3,006	\$ 1,453,861	\$ 1,456,867
Charges for Services	-	134,656	134,656
Licenses, Permits and Fees	32,560	-	32,560
Fines and Forfeitures	-	22,842	22,842
Intergovernmental	231,121	309,402	540,523
Earnings on Investments	633	129	762
Miscellaneous	16,983	1,317	18,300
	<u>284,303</u>	<u>1,922,207</u>	<u>2,206,510</u>
<b>Total Cash Receipts</b>			
	<u>284,303</u>	<u>1,922,207</u>	<u>2,206,510</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	192,940	-	192,940
Public Safety	-	1,087,607	1,087,607
Public Works	-	388,958	388,958
Health	5,185	460,213	465,398
Capital Outlay	19,898	171,761	191,659
	<u>218,023</u>	<u>2,108,539</u>	<u>2,326,562</u>
<b>Total Cash Disbursements</b>			
	<u>218,023</u>	<u>2,108,539</u>	<u>2,326,562</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>66,280</u>	<u>(186,332)</u>	<u>(120,052)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Advances In	30,000	120,000	150,000
Advances Out	(120,000)	(30,000)	(150,000)
Other Financing Uses	(978)	-	(978)
	<u>(90,978)</u>	<u>90,000</u>	<u>(978)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>(90,978)</u>	<u>90,000</u>	<u>(978)</u>
<b>Net Change in Fund Cash Balances</b>	<u>(24,698)</u>	<u>(96,332)</u>	<u>(121,030)</u>
<b>Fund Cash Balance, January 1</b>	<u>774,345</u>	<u>929,641</u>	<u>1,703,986</u>
<b>Fund Cash Balance, December 31</b>			
Restricted	-	825,869	825,869
Committed	-	7,440	7,440
Assigned	286,654	-	286,654
Unassigned (Deficit)	462,993	-	462,993
<b>Fund Cash Balance, December 31</b>	<u>\$ 749,647</u>	<u>\$ 833,309</u>	<u>\$ 1,582,956</u>

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

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 3,628	\$ 1,468,697	\$ 1,472,325
Charges for Services	-	129,981	129,981
Licenses, Permits and Fees	30,217	-	30,217
Fines and Forfeitures	-	20,216	20,216
Intergovernmental	265,813	315,727	581,540
Earnings on Investments	5,923	315	6,238
Miscellaneous	14,547	2,008	16,555
	<u>320,128</u>	<u>1,936,944</u>	<u>2,257,072</u>
<b>Total Cash Receipts</b>			
	<u>320,128</u>	<u>1,936,944</u>	<u>2,257,072</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	205,936	-	205,936
Public Safety	160,722	1,074,188	1,234,910
Public Works	-	432,819	432,819
Health	6,433	479,262	485,695
Capital Outlay	39,476	15,613	55,089
	<u>412,567</u>	<u>2,001,882</u>	<u>2,414,449</u>
<b>Total Cash Disbursements</b>			
	<u>412,567</u>	<u>2,001,882</u>	<u>2,414,449</u>
<b>Total Receipts (Under) Disbursements</b>	<u>(92,439)</u>	<u>(64,938)</u>	<u>(157,377)</u>
<b>Net Change in Fund Cash Balances</b>	<u>(92,439)</u>	<u>(64,938)</u>	<u>(157,377)</u>
<b>Fund Cash Balance, January 1</b>	<u>866,784</u>	<u>994,578</u>	<u>1,861,362</u>
<b>Fund Cash Balance, December 31</b>			
Restricted	-	925,556	925,556
Committed	-	4,084	4,084
Assigned	270,446	-	270,446
Unassigned (Deficit)	503,899	-	503,899
<b>Fund Cash Balance, December 31</b>	<u>\$ 774,345</u>	<u>\$ 929,640</u>	<u>\$ 1,703,985</u>

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

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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, Franklin County, Ohio 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 police services.

The Township contracts with the City of Worthington to provide fire services and Any Emergency Medical Services, Inc., to provide ambulance services.

The Township has a component unit of Walnut Grove and Flint Union Cemeteries. Note 7 to the financial statements provides additional information on this entity.

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**D. Fund Accounting (Continued)**

**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 Funds:

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

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

Police District Fund - This fund receives property tax money and other intergovernmental money for providing security of persons and property for township residents.

**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 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 carried over, and need not be reappropriated. The Township did not encumber all commitments timely as required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the Township classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**F. Fund Balance (Continued)**

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.

**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.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**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.

**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:

	2012	2011
Demand deposits	\$709,942	\$743,780
Other time deposits (savings)	726,176	423,765
Total deposits	1,436,118	1,167,545
STAR Ohio	146,838	236,717
Repurchase agreement	-	299,723
Total investments	146,838	536,440
Total deposits and investments	\$1,582,956	\$1,703,985

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

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$138,679	\$314,303	\$175,624
Special Revenue	1,933,531	2,042,207	108,676
Total	\$2,072,210	\$2,356,510	\$284,300

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$409,125	\$339,106	\$70,019
Special Revenue	2,613,790	2,141,273	472,517
Total	\$3,022,915	\$2,480,379	\$542,536

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$218,172	\$320,128	\$101,956
Special Revenue	2,035,801	1,936,944	(98,857)
Total	\$2,253,973	\$2,257,072	\$3,099

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$478,256	\$412,567	\$65,689
Special Revenue	2,482,363	2,007,822	474,541
Total	\$2,960,619	\$2,420,389	\$540,230

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

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2008-2013</i>	<i>10%</i>	<i>14%</i>
<i>PERS – Law Enforcement</i>	<i>2011</i>	<i>11.60%</i>	<i>18.10%</i>
<i>PERS – Law Enforcement</i>	<i>2012</i>	<i>12.10%</i>	<i>18.10%</i>

The Township has paid all contributions required through December 31, 2012.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$16,696.

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.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Risk Management (Continued)**

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$28,299	\$26,826

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. Component Unit**

The Walnut Grove and Flint Union Cemeteries is considered a component unit of the Township. The Cemetery is considered a component unit because the Township appoints one-third of the Cemetery board and provides all of the Cemetery's financial support. The financial statements of the Cemetery can be obtained by writing Elaine Russell, Clerk at 5561 Milton Avenue, Worthington, Ohio 43085.

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# 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  
Franklin County  
95 E. Wilson Bridge Road  
Worthington, Ohio 43085

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 of the Sharon Township, Franklin, Ohio (the Township) as of and for the year's ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated November 12, 2014 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 and the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***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 opinion 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 a certain deficiency in internal control over financial reporting, that we consider 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 2012-002 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Entity'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

***Entity's Response to Findings***

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.

***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 Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 12, 2014

SHARON TOWNSHIP  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

**Finding 2012-001**

**Material Noncompliance**

**Prior Certification**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity 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 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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"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, property 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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 expenditure by the Township.

1. Blanket Certificate - Fiscal officers may prepare so-called "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority for 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.
2. Super Blanket Certificate – The Township may make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year (or beyond the quarterly spending plan for counties) More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding 2012-001 (Continued)**

**Material Noncompliance (Continued)**

**Prior Certification (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for fifty four (54) percent of the expenditure transactions tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials Response:** "The Fiscal Office will review the transactions in question and work on improving the office's compliance with Ohio law. "

**Finding 2012-002**

**Material Weakness**

**Bank to Book Reconciliations and Monitoring**

Strong monitoring practices of financial activities are the responsibility of the Fiscal Officer and the Township's Board of Trustee's and essential to ensure proper financial reporting. A bank to book (Township accounting record fund balances) reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, the Township's Board of Trustee's should thoroughly review the bank to book reconciliation and monthly financial reports of the Township. Evidence of these detailed reviews should be documented.

Although it appeared monthly reconciliations were prepared for fiscal year 2012, accurate and complete reconciliations of the bank activity to the Township's accounting records throughout the fiscal year including evidence for reconciling items and any other adjusting factors was not sufficiently performed. In addition, there was no evidence of control procedures in place to ensure accurate recording and reporting of the financial activity in the accounting records or financial statements. This resulted in fund balance differences, significant audit delay and additional cost to the Township.

SHARON TOWNSHIP  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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**Finding 2012-002 (Continued)**

**Material Weakness (Continued)**

**Bank to Book Reconciliations and Monitoring (Continued)**

As a result, inaccurate financial reports were provided to the Township's Board of Trustee's to aid in management decisions, which did lead to errors occurring undetected by management. This condition could have led to material misstated financial statements, including the related footnotes if independent labor was not hired subsequently.

We recommend the Township reconcile all bank accounts to the books on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. If applicable, all errors should be corrected on the Township's ledgers following the completion of the reconciliation.

Additionally, we recommend the monthly bank reconciliation be reviewed "in detail" and approved by an individual with appropriate fiscal authority and by the Township's Board of Trustee's. While evidence of the Board of Trustee's review is documented in the minutes, evidence of reviews should also be documented by having the detailed review attached, authorized and dated. Further, we recommend the Township's Board of Trustee's ensure that strong monitoring practices of the Township's financial activities are implemented and operating effectively. This includes, but is not limited to, reviewing monthly financial reports as well as year-end financial statements and ensuring that they accurately represent underlying financial activities and cash balances.

**Officials Response:** The Fiscal Officer will use the above to analyze operations to eliminate future accounting errors

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# Dave Yost • Auditor of State

**SHARON TOWNSHIP**

**FRANKLIN 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  
FEBRUARY 5, 2015**