



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



## TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 1999 .....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Non-Expendable Trust Fund For the Year Ended December 31, 1999 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 1998 .....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Non-Expendable Trust Fund For the Year Ended December 31, 1998 .....	6
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Sharon Township  
Medina County  
P.O. Box 7  
Sharon Center, Ohio 44274

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 audits.

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

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Sharon Township, Medina County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2000 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 25, 2000

**This page intentionally left blank.**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$139,546	\$463,467		\$603,013
Intergovernmental	294,896	123,263	\$61,453	479,612
Special assessments			625	625
Licenses, Permits and Fees	14,931	1,625		16,556
Earnings on Investments	22,492	1,320		23,812
Other	19,852	13,504		33,356
<b>Total Cash Receipts</b>	<u>491,717</u>	<u>603,179</u>	<u>62,078</u>	<u>1,156,974</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	183,054			183,054
Public Safety	29,137	102,811		131,948
Public Works	2,935	296,231	600	299,766
Health	5,121	2,729		7,850
Conservation - recreation	7,780			7,780
Capital Outlay	42,550	41,518		84,068
<b>Total Cash Disbursements</b>	<u>270,577</u>	<u>443,289</u>	<u>600</u>	<u>714,466</u>
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>221,140</u>	<u>159,890</u>	<u>61,478</u>	<u>442,508</u>
<b>Other Financing Receipts:</b>				
Other sources		600		600
<b>Excess of Cash Receipts and Other Financing Receipts over Cash Disbursements</b>	221,140	160,490	61,478	443,108
<b>Fund Cash Balances, January 1</b>	<u>373,065</u>	<u>165,168</u>	<u>189</u>	<u>538,422</u>
<b>Fund Cash Balances, December 31</b>	<u>\$594,205</u>	<u>\$325,658</u>	<u>\$61,667</u>	<u>\$981,530</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH  
BALANCES - NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Non-Expendable Trust</u>
Fund cash balances, January 1	<u>\$1,000</u>
Fund cash balances, December 31	<u><u>\$1,000</u></u>
Reserve for encumbrances, December 31	<u><u>\$0</u></u>

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



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$125,733	\$432,078		\$557,811
Intergovernmental	112,827	116,938		229,765
Special Assessments			625	625
Licenses, Permits and Fees	13,128	1,625		14,753
Earnings on Investments	21,095	1,320		22,415
Other	39,823	63		39,886
Total Cash Receipts	<u>312,606</u>	<u>552,024</u>	<u>625</u>	<u>865,255</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	126,730			126,730
Public Safety	31,217	103,060		134,277
Public Works	3,567	356,114	599	360,280
Health	2,445	2,152		4,597
Conservation - recreation	3,667			3,667
Capital Outlay	120,667	181,478		302,145
Total Cash Disbursements	<u>288,293</u>	<u>642,804</u>	<u>599</u>	<u>931,696</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>24,313</u>	<u>(90,780)</u>	<u>26</u>	<u>(66,441)</u>
<b>Other Financing Receipts:</b>				
Other sources		670		670
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	24,313	(90,110)	26	(65,771)
Fund Cash Balances, January 1	<u>348,752</u>	<u>255,278</u>	<u>163</u>	<u>604,193</u>
Fund Cash Balances, December 31	<u>\$373,065</u>	<u>\$165,168</u>	<u>\$189</u>	<u>\$538,422</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH  
BALANCES - NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Non-Expendable Trust</u>
Fund cash balances, January 1	<u>\$1,000</u>
Fund cash balances, December 31	<u><u>\$1,000</u></u>
Reserve for encumbrances, December 31	<u><u>\$0</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 and 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Sharon Township, Medina County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides general governmental services, including road maintenance, park operations (leisure time activities), and fire protection services. The Township contracts with the Medina County Sheriff's Department to provide police protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit and repurchase agreements are valued at cost.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded 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:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 and 1998**  
**(Continued)**

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

**D. Fund Accounting (Continued)**

**Special Revenue Funds (Continued)**

*Road and Bridge Fund* - This fund receives property taxes and intergovernmental receipts for constructing, maintaining and repairing Township roads.

*Fire Fund* - This fund is used to account for a portion of property tax revenue received and used for the purpose of providing fire protection services for the Township.

**Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund.

*Issue II Local Support Fund* - This fund is used to record for State Issue II funds received and used for approved local capital projects.

**Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

*Cemetery Trust Fund* - This fund is used to record donations to the Cemetery.

**E. Budgetary Process**

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

**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.

**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 also approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 and 1998**  
(Continued)

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

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	(\$13,470)	(\$6,578)
Certificates of deposit	1,000	1,000
Repurchase Agreement	<u>995,000</u>	<u>545,000</u>
Total deposits and investments	<u>\$982,530</u>	<u>\$539,422</u>

Deposits

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

Investments

The Township invested in repurchase agreements during the accounting period. These investments are valued at cost.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 1999 and 1998 was as follows:

**1999 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$288,034	\$491,717	\$203,683
Special Revenue	531,440	603,779	72,339
Capital Projects	<u>780</u>	<u>62,078</u>	<u>61,298</u>
Total	<u>\$820,254</u>	<u>\$1,157,574</u>	<u>\$337,320</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 and 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**1999 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$645,500	\$270,577	\$374,923
Special Revenue	662,167	443,289	218,878
Capital Projects	<u>720</u>	<u>600</u>	<u>120</u>
Total	<u>\$1,308,387</u>	<u>\$714,466</u>	<u>\$593,921</u>

**1998 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$256,330	\$312,606	\$56,276
Special Revenue	558,667	552,694	(5,973)
Capital Projects	<u>790</u>	<u>625</u>	<u>(165)</u>
Total	<u>\$815,787</u>	<u>\$865,925</u>	<u>\$50,138</u>

**1998 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$600,700	\$288,293	\$312,407
Special Revenue	738,473	642,804	95,669
Capital Projects	<u>720</u>	<u>599</u>	<u>121</u>
Total	<u>\$1,339,893</u>	<u>\$931,696</u>	<u>\$408,197</u>

**4. PROPERTY TAX**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 and 1998**  
**(Continued)**

**4. PROPERTY TAX (Continued)**

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 with 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.

**5. RETIREMENT SYSTEM**

The employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**6. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- |  |                              |
|--|------------------------------|
| -Property                                | -Vehicles                    |
| -General liability                       | -Public officials liability  |
| -Commercial inland marine                | -Employers liability         |
| -Health and dental (full-time employees) | -Employee benefits liability |
| -Cemetery liability                      |                              |

**This page intentionally left blank.**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Sharon Township  
Medina County  
P.O. Box 7  
Sharon Center, Ohio 44274

To the Board of Trustees:

We have audited the financial statements of Sharon Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 25, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated April 25, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-40952-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the item above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 25, 2000.

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

**Jim Petro**  
Auditor of State

April 25, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

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

**FINDING NUMBER 1999-40952-001**

**Material Weakness**

An important part of a system of internal control is the ability of management to monitor financial activity. This includes the initiation of a purchase with a purchase order. During 1999 and 1998, the Township did not use purchase orders. This limits the Township's ability to monitor expenditures and could allow unauthorized expenditures to be made.

To assist in monitoring expenditure activity, the Township should begin creating purchase orders prior to purchases being made. The Ohio Administrative Code (Rule section 117-3-05) provides purchase order procedures for Townships. These procedures are as follows:

- a. All purchase orders shall be numbered consecutively.
- b. Each purchase order shall be made out in triplicate. The original copy shall be filed with the township clerk to be used as a posting media to encumber the line-item appropriation and then filed in numerical sequence. The second copy shall be given to the vendor. The third copy shall be returned to the individual initiating the purchase order or requisition, as the case may be. This third copy shall serve as a receiving report and be returned to the clerk once the item(s) are received and verified. This third copy of the purchase order shall then be attached to the voucher along with the invoice.
- c. Each purchase order shall provide the following information:
  - Purchase order number and the date;
  - Requisition number, if applicable;
  - Name of Township;
  - Destination and method of shipment;
  - Appropriation fund, code classification, and amount;
  - Quantity, unit, description, and cost;
  - Name and title of person(s) authorizing the purchase order;
  - The clerk's certification as pursuant to section 5705.413 and Division (D) of section 5705.41 of the Revised Code;
  - When applicable, pursuant to section 5705.41 of the Revised Code, the name of the vendor.
- d. When a blanket certification has been authorized, the purchase order shall indicate the blanket certification, the effective date of the certification, and the amount.

The Township began utilizing UAN (Uniform Accounting Network) in 2000, which requires a purchase order be entered prior to the payment of invoices.