

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

JOHN O'KEEFFE, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Sharon Township
95 E. Wilson Bridge Road
Worthington, Ohio 43085

We have reviewed the *Independent Auditor's Report* of Sharon Township, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2016. 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.

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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 20, 2017

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**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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 of the cash balances, receipts and disbursements by fund type, and related notes of Sharon Township, Franklin County, Ohio, as of and for the years ended December 31, 2016 and 2015.

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 Sharon 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 Sharon 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, Sharon 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 (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Sharon Township as of December 31, 2016 and 2015, 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 County, Ohio, as of December 31, 2016 and 2015, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017, on our consideration of Sharon Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sharon Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 30, 2017

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 2,854	\$ 1,337,092	\$ 1,339,946
Charges for Services	-	140,552	140,552
Licenses, Permits and Fees	31,106	-	31,106
Fines and Forfeitures	-	18,173	18,173
Intergovernmental	105,519	303,451	408,970
Rental Income	23,902	-	23,902
Contributions and Donations	-	300	300
Earnings on Investments	1,969	-	1,969
Miscellaneous	426	15,773	16,199
	<u>165,776</u>	<u>1,815,341</u>	<u>1,981,117</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	287,821	-	287,821
Public Safety	-	1,092,582	1,092,582
Public Works	-	315,277	315,277
Health	-	480,607	480,607
Capital Outlay	2,490	39,256	41,746
	<u>290,311</u>	<u>1,927,722</u>	<u>2,218,033</u>
Total Cash Disbursements			
Total Receipts Over (Under) Disbursements	<u>(124,535)</u>	<u>(112,381)</u>	<u>(236,916)</u>
Other Financing Sources (Uses):			
Other Financing Uses	(6,427)	-	(6,427)
Advances In	-	15,000	15,000
Advances (Out)	(15,000)	-	(15,000)
	<u>(21,427)</u>	<u>15,000</u>	<u>(6,427)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Cash Balances	(145,962)	(97,381)	(243,343)
Fund Cash Balances, January 1	<u>461,157</u>	<u>1,088,874</u>	<u>1,550,031</u>
Fund Cash Balances, December 31:			
Restricted	-	991,493	991,493
Assigned	265,456	-	265,456
Unassigned	49,739	-	49,739
Total Fund Cash Balances, December 31.	<u>\$ 315,195</u>	<u>\$ 991,493</u>	<u>\$ 1,306,688</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts/(Disbursements):	
Miscellaneous	\$ 14,723
Other Non-Operating Disbursements	(14,512)
	211
Fund Cash Balance, January 1	5,344
Fund Cash Balance, December 31	\$ 5,555

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 12,717	\$ 1,519,242	\$ 1,531,959
Charges for Services	-	134,776	134,776
Licenses, Permits and Fees	34,898	10	34,908
Fines and Forfeitures	-	14,452	14,452
Intergovernmental	104,615	311,003	415,618
Rental Income	22,369	-	22,369
Contributions and Donations	2,408	314	2,722
Earnings on Investments	2,235	-	2,235
Miscellaneous	1,883	30,564	32,447
	<u>181,125</u>	<u>2,010,361</u>	<u>2,191,486</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	294,802	-	294,802
Public Safety	130	969,017	969,147
Public Works	-	351,942	351,942
Health	-	475,170	475,170
Capital Outlay	18,909	23,855	42,764
	<u>313,841</u>	<u>1,819,984</u>	<u>2,133,825</u>
Total Cash Disbursements			
Total Receipts Over (Under) Disbursements	<u>(132,716)</u>	<u>190,377</u>	<u>57,661</u>
Other Financing Sources (Uses):			
Other Financing Uses	(3,372)	-	(3,372)
Advances In	1,000	71,000	72,000
Advances (Out)	(71,000)	(1,000)	(72,000)
	<u>(73,372)</u>	<u>70,000</u>	<u>(3,372)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Cash Balances	(206,088)	260,377	54,289
Fund Cash Balances, January 1	<u>667,245</u>	<u>828,497</u>	<u>1,495,742</u>
Fund Cash Balances, December 31:			
Restricted	-	1,088,874	1,088,874
Assigned	277,969	-	277,969
Unassigned	183,188	-	183,188
Total Fund Cash Balances, December 31	<u>\$ 461,157</u>	<u>\$ 1,088,874</u>	<u>\$ 1,550,031</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts/(Disbursements):	
Miscellaneous	\$ 12,528
Other Non-Operating Disbursements	(7,184)
	5,344
Fund Cash Balance, January 1	-
Fund Cash Balance, December 31	\$ 5,344

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 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 and ambulance services.

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

B. Accounting Basis

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

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

C. Deposits 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.

The Township values negotiable CDs and federal agency securities at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share approximates fair value.

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, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Special Revenue Funds

These 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 District 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.

3. Fiduciary Fund

Fiduciary funds include one agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for an employee flexible spending plan.

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 re-appropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 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

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.

NOTE 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:

	2016	2015
Demand deposits	\$ 1,164,957	\$ 1,228,341
Investments:		
STAR Ohio	47,286	47,034
Negotiable CDs	-	180,000
Federal Home Loan Mortgage Corporation	100,000	100,000
Total investments	147,286	327,034
Total deposits and investments	\$ 1,312,243	\$ 1,555,375

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

Investments: A financial institution's trust department hold the Township's federal securities and negotiable CDs in book entry form in the Township's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 108,135	\$ 165,776	\$ 57,641
Special Revenue	<u>1,945,626</u>	<u>1,830,341</u>	<u>(115,285)</u>
Total	<u>\$ 2,053,761</u>	<u>\$ 1,996,117</u>	<u>\$ (57,644)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 386,104	\$ 316,125	\$ 69,979
Special Revenue	<u>2,421,651</u>	<u>1,939,046</u>	<u>482,605</u>
Total	<u>\$ 2,807,755</u>	<u>\$ 2,255,171</u>	<u>\$ 552,584</u>

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 115,308	\$ 182,125	\$ 66,817
Special Revenue	<u>2,056,446</u>	<u>2,081,361</u>	<u>24,915</u>
Total	<u>\$ 2,171,754</u>	<u>\$ 2,263,486</u>	<u>\$ 91,732</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 403,448	\$ 397,019	\$ 6,429
Special Revenue	<u>2,327,024</u>	<u>1,902,660</u>	<u>424,364</u>
Total	<u>\$ 2,730,472</u>	<u>\$ 2,299,679</u>	<u>\$ 430,793</u>

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 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.

NOTE 5 - RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, Law Enforcement participants contributed 13% of their wages. For 2016 and 2015, the Township contributed to OPERS an amount equal to 18.10% of full-time law enforcer's wages. For 2016 and 2015, other OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of participants' gross salaries. As noted in the Schedule of Findings and Responses, the Township did not withhold the proper rate of OPERS for one employee.

NOTE 6 - POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

NOTE 7 - JOINT VENTURE AND SHARED RISK POOL

Shared Risk Pool

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. (formally 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.

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7 - JOINT VENTURE AND SHARED RISK POOL - (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, 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 net position at December 31, 2014 and 2015 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	28,894,793	27,057,831

At December 31, 2015 and 2014, respectively, liabilities noted above include approximately \$7.9 million and \$8.2 million of estimated incurred claims payable. The assets and net position above also include approximately \$7.7 million and \$7.2 million of unpaid claims to be billed to 989 member governments in the future, as of December 31, 2015, and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2016, the Township's share of these unpaid claims is approximately \$16,000.

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>2016</u>	<u>2015</u>
\$31,264	\$30,791

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.

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7 - JOINT VENTURE AND SHARED RISK POOL - (Continued)

Joint Venture

The Township participates in a joint venture with the City of Worthington pertaining to Union Cemeteries. The joint venture was formed for the purpose of operating the union cemeteries for the citizens of the City and Township. The Union Cemeteries is governed by a Board of Trustees consisting of 3 members, 1 appointed by Sharon Township and two appointed by the City of Worthington. The funding for the operations of the Union Cemeteries is from property taxes, with the remainder of the budget being financed by the City and Township. There is no explicit and measurable equity interest in the Union Cemeteries. The Township has an ongoing financial responsibility because the continued existence of the joint venture depends on the Township contribution, which totaled \$480,607 in 2016 and \$476,170 in 2015. The joint venture is not accumulating significant resources or experiencing fiscal stress which would cause an additional financial benefit or burden on the Township. The financial statements of the Walnut Grove and Flint Union Cemeteries can be obtained by writing Elaine Russell, Union Cemeteries Clerk, at 5561 Milton Avenue, Worthington, Ohio 43085.

The following is a summary of the Sharon Township share of the financial information for the joint venture for the years ended December 31, 2016 and 2015, prepared on the basis of cash receipts and disbursements:

	2016	2015
Operating Revenues	\$ 486,474	\$ 479,507
Operating Expenditures	480,607	476,170
Excess of Operating Revenues Over Expenditures	5,867	3,337
Fund Balance at Beginning of Year	1,355	(1,982)
Fund Balance at End of Year	\$ 7,222	\$ 1,355

NOTE 8 - INTERFUND BALANCES

Outstanding advances at December 31, 2016, consisted of the following to provide working capital for operations:

Receivable Fund	Payable Funds	Amount
General	Special Revenue	\$ 145,000

Outstanding advances at December 31, 2015, consisted of the following to provide working capital for operations:

Receivable Fund	Payable Funds	Amount
General	Special Revenue	\$ 130,000



Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Controls 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 Sharon Township, Franklin County, Ohio, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2017, wherein we noted Sharon Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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 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 Sharon 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

Board of Trustees
Sharon Township

Compliance and Other Matters

As part of reasonably assuring whether Sharon Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance 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 and responses as item 2016-003.

Sharon Township's Response to Findings

Sharon Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Sharon 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 Sharon Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Sharon Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
May 30, 2017

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide the Board and citizens with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statements and note disclosures for the years ended December 31, 2016 and 2015, to properly state financial statement amounts. The audited financial statements and the Township records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide the Board with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Township consult with their auditors and/or an accounting/consulting firm on a continual basis as an additional internal control to help ensure accurate financial reporting.

Client's Response: The Fiscal Officer will work to provide a sound fiscal environment for the Township and has implemented policies and procedures to help with financial statement presentation.

Finding Number	2016-002
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Material Weakness - Bank Reconciliation

The Township's bank statements should be reconciled on a monthly basis, promptly after month end. Further, these bank reconciliations along with supporting documentation should be submitted to the Board of Trustees for review and approval at the meeting date following month end.

Accurate reconciliations of the Township's accounting system to the bank statements for the years ended December 31, 2016 and 2015 were not performed and completed until several months after year end. Upon completion of the reconciliation, cash adjustments were required to properly state the Township's activities. These adjustments were included in the financial statements and posted to the Township's system.

Not providing the Board of Trustees with timely monthly reconciliations results in the Township relying on misrepresented financial information in which they base their decisions.

We recommend the Township Fiscal Officer timely reconcile its bank statements and provide the reconciliation and supporting documentation to the Board of Trustees. A Board of Trustees representative should review the bank reconciliations for any unusual items and document their approval by initialing the reconciliation. This may significantly improve the system of checks and balances necessary for strong cash control.

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-002 - (Continued)

Client Response: The Fiscal Officer will ensure and provide monthly reconciliation of all bank statements, promptly after month end, along with supporting documentation to the Board of Trustees for review and approval by the Board.

Finding Number	2016-003
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OPERS Withholdings - Noncompliance/Material Weakness

Ohio Rev. Code Section 145.01 provides in subsection (A) that a public employees retirement system is hereby created for the public employees of the state and of the several local authorities mentioned in section 145.01 of the Revised Code. Except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues. Subsection (B) provides a student who is not a member at the time of his employment with the school, college, or university in which he is enrolled and regularly attending classes may elect to be exempted from compulsory membership and a student who is a member may elect to have his employment with the school, college, or university in which he is enrolled and regularly attending classes exempted from contribution to the retirement system. An election to be exempted from membership or contribution shall be made by signing a written application for exemption within the first month after being employed and filing the application with the public employees retirement board.

All applications, when approved by the public employees retirement board and filed with the employer, shall be irrevocable while the employee is continuously employed by the school, college, or university and regularly attending classes.

Ohio Rev. Code Section 145.47 requires the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall deduct from the earnable salary of each contributor on every payroll of such contributor for each payroll period subsequent to the date of coverage, an amount equal to the applicable percent of the contributor's earnable salary. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter.

We noted that the Township Fiscal Officer did not withhold the entire employee portion of OPERS from one employee of the Township when this employee position type changed.

We recommend the Fiscal Officer implement additional internal controls to help ensure withholding amounts are correct from all employees.

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-003 - (Continued)

This issue has been referred to the OPERS and subsequently resolved by the Township with OPERS being paid in full.

Client Response: The Township stresses employee review of individual paychecks and will implement additional internal controls with regards to withholdings and in particular when an employee's position has changed.

**SHARON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</u>
2014-001	<u>Material Noncompliance</u> - Ohio Revised Code Section 5705.41(D) 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 Township had 53% and 29% of examined disbursements that were not certified in a timely manner.	Yes	Partially corrected; repeated in Management Letter.
2014-002	<u>Material Weakness</u> - 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.	No	Repeated as finding 2016-002



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
OCTOBER 3, 2017