



**Auditor of State
Betty Montgomery**

SULLIVAN TOWNSHIP
ASHLAND COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	23

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**Auditor of State
Betty Montgomery**

Sullivan Township
Ashland County
P.O. Box 9
Sullivan, Ohio 44880

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 17, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sullivan Township
Ashland County
P.O. Box 9
Sullivan, Ohio 44880

To the Board of Trustees:

We have audited the accompanying financial statements of Sullivan Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to audit the financial activity of the Sullivan Volunteer Fire and EMS, Inc. (the Fire Department) and this information is not included in the Township's financial statements, specifically, the special revenue fund type. The Fire Department bank accounts reflected deposits of \$19,379 and \$67,897; and withdrawals of \$23,818 and \$69,265, respectively for the years ended December 31, 2004 and 2003.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, except for the effects of not reporting financial activity of the fire department, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Sullivan Township, Ashland County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

February 17, 2006

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Non-Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$47,436	\$120,031	\$0	\$167,467
Intergovernmental	56,554	88,763	0	145,317
Charges for Services	0	2,007	0	2,007
Licenses, Permits, and Fees	26,473	8,100	0	34,573
Earnings on Investments	149	14	0	163
Other Revenue	20,412	1,376	0	21,788
Total Cash Receipts	<u>151,024</u>	<u>220,291</u>	<u>0</u>	<u>371,315</u>
Cash Disbursements:				
Current:				
General Government	109,559	2,254		111,813
Public Safety	0	31,574		31,574
Public Works	0	175,143		175,143
Health	5,865	7,616		13,481
Conservation-Recreation	3,600	0		3,600
Capital Outlay	5,357	800		6,157
Total Cash Disbursements	<u>124,381</u>	<u>217,387</u>	<u>0</u>	<u>341,768</u>
Total Receipts Over Disbursements	<u>26,643</u>	<u>2,904</u>	<u>0</u>	<u>29,547</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	0	1,500	0	1,500
Advances-In	500	500	0	1,000
Transfers-Out	(1,500)	0	0	(1,500)
Advances-Out	(500)	(500)	0	(1,000)
Other Financing Uses	(6)	0	0	(6)
Total Other Financing Receipts/(Disbursements)	<u>(1,506)</u>	<u>1,500</u>	<u>0</u>	<u>(6)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	25,137	4,404	0	29,541
Fund Cash Balances, January 1	<u>100,535</u>	<u>38,251</u>	<u>311</u>	<u>139,097</u>
Fund Cash Balances, December 31	<u>\$125,672</u>	<u>\$42,655</u>	<u>\$311</u>	<u>\$168,638</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.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Non-Expendable Trust	
Cash Receipts:					
Local Taxes	\$51,497	\$109,390	\$0	\$0	\$160,887
Intergovernmental	51,589	75,565	0	0	127,154
Charges for Services	0	5	0	0	5
Licenses, Permits, and Fees	16,865	6,700	0	0	23,565
Earnings on Investments	95	20	0	0	115
Other Revenue	10,193	29,224	0	0	39,417
Total Cash Receipts	130,239	220,904	0	0	351,143
Cash Disbursements:					
Current:					
General Government	86,308	1,816	0	0	88,124
Public Safety	0	95,511	0	0	95,511
Public Works	4,225	128,946	0	0	133,171
Health	1,978	17,659	0	0	19,637
Capital Outlay	0	6,056	0	0	6,056
Total Cash Disbursements	92,511	249,988	0	0	342,499
Total Receipts Over/(Under) Disbursements	37,728	(29,084)	0	0	8,644
Other Financing Receipts and (Disbursements):					
Transfers-In	17,785	17,785	0	0	35,570
Transfers-Out	(17,785)	0	(17,785)	0	(35,570)
Total Other Financing Receipts/(Disbursements)	0	17,785	(17,785)	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	37,728	(11,299)	(17,785)	0	8,644
Fund Cash Balances, January 1 (Restated)	62,807	49,550	17,785	311	130,453
Fund Cash Balances, December 31	\$100,535	\$38,251	\$0	\$311	\$139,097
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Sullivan Township, Ashland County, (the Township) 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, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable, except the financial statements do not include certain receipts and disbursements of the fire department.

B. Basis of Accounting

These financial statements follow the basis of accounting 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. Cash

The Township had no investments at December 31, 2004 and 2003.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds 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:

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.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

This fund is 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 has the following capital projects fund:

Permanent Improvement Fund - This fund received property tax monies in prior years used for the acquisition of a fire truck.

4. Fiduciary Funds (Trust and Agency Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund - This fund receives donations and contributions for the maintenance of the cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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 CASH

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

	2004	2003
Demand deposits	\$139,097	\$168,638

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,882	\$151,524	(\$3,358)
Special Revenue	241,858	222,291	(19,567)
Fiduciary	1	0	(1)
Total	\$396,741	\$373,815	(\$22,926)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$208,313	\$126,387	\$81,926
Special Revenue	249,957	217,887	32,070
Fiduciary	312	0	312
Total	\$458,582	\$344,274	\$114,308

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$138,577	\$148,024	\$9,447
Special Revenue	249,048	238,689	(10,359)
Fiduciary	1	0	(1)
Total	\$387,626	\$386,713	(\$913)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$145,121	\$110,296	\$34,825
Special Revenue	254,007	249,988	4,019
Capital Projects	17,785	17,785	0
Fiduciary	312	0	312
Total	\$417,225	\$378,069	\$39,156

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not always certify the availability of funds prior to entering into commitments during 2004 and 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

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

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
 <u>Property Coverage</u>	 <u>2004</u>	 <u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

8. RELATED PARTY TRANSACTIONS

The former fire chief's sister is the owner of a company from which the Township Fire Department contracted with for the construction of fire station #2 during the audit period. The Township paid \$27,040 for the construction.

9. SUBSEQUENT EVENTS

The Township was approved on October 28, 2004 to receive a loan of \$239,893 in Ohio Public Works Commission Issue II funds for the reconstruction and widening of township road 462 which was completed in July, 2005.

The Township was approved to receive a grant of \$96,481 in Ohio Public Works Commission Issue II funds for the reconstruction and widening of township road 581 south. An additional mile was approved for the project with anticipated completion by mid-year 2006 for the project.



**Auditor of State
Betty Montgomery**

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

Sullivan Township
Ashland County
P.O. Box 9
Sullivan, Ohio 44880

To the Board of Trustees:

We have audited the financial statements of Sullivan Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 17, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We qualified our report because certain receipts and disbursements of the fire department were not reported. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-008 through 2004-014.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2004-008 and 2004-009 listed above to be material weaknesses.

In a separate letter to the Township's management dated February 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-007.

In a separate letter to the Township's management dated February 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 17, 2006

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery

Overpayment of Contracted Amounts

During the period 1999-2001, Sullivan Township was under contract with Sullivan Volunteer Fire Company and Emergency Medical Service to pay an annual fee of \$3,000 for fire protection and emergency medical services. During the period 2002-2003, the annual fee was \$3,500 for a total of \$16,000 over the five years. The actual payments were \$57,741.99 during this period or an overpayment of \$41,741.99 from the contracted amount.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following individuals, jointly and severally, who received or co-signed checks for a portion of this amount, and in favor of the Township's general, fire district, and emergency medical services funds.

Individual	Jointly and Severally Portion of Total Finding	Period Responsible
Steve Neff	\$41,741.99	1/1/99 – 12/31/03
Tammy Neff	\$41,741.99	1/1/99 – 12/31/03
Ohio Township Association Risk Management Authority	\$41,741.99	1/1/99 – 12/31/03
James Riley	\$36,062.60	1/1/02 – 12/31/03
Christina Jordan	\$22,817.00	3/6/03 – 12/31/03
Michael Canfield	\$23,412.28	3/24/03 – 12/31/03
Roberta Penn	\$18,924.99	1/1/99 – 1/27/03
Sidney Penn	\$13,500.00	1/1/02 – 1/27/03
Douglas Campbell	\$12,872.88	6/5/03 – 12/31/03
Dennis Woolley	\$9,944.12	3/13/03 – 5/12/03
Richard Farkas	\$8,750.00	1/1/00 – 12/31/02

FINDING NUMBER 2004-002

Finding for Recovery

Overpayment of Approved Salary

Per the Sullivan Township Board of Trustee minutes Ronnie Brown was promoted to Road Superintendent with an annual salary of \$25,000 effective October 13, 2003. Based on twelve weeks of pay between October 13, 2003 and the pay period ending January 4, 2004, his total gross pay should have been \$5,769.23 for this twelve week period of time. He was actually paid \$7,673.77 during that period of time or an overpayment of \$1,904.54.

FINDING NUMBER 2004-002 (Continued)

Finding for Recovery

Overpayment of Approved Salary (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued jointly and severally against Ronnie Brown and former clerk Christina Jordan and her bonding company Ohio Township Association Risk Management Authority in the amount of \$1,904.54 and in favor of the Township's gasoline tax fund.

FINDING NUMBER 2004-003

Finding for Recovery

Emergency Medical Services Receipts

Ohio Rev. Code Section 505.84 states that charges collected under this section for ambulance or emergency medical services shall be kept in a separate fund designated as "the ambulance and emergency medical services fund," and shall be appropriated and administered by the board. Such funds shall be used for the payment of the cost of the management, maintenance, and operation of ambulance and emergency medical services in the township. If the ambulance and emergency medical services are discontinued in the township, any balance remaining in the fund shall be paid into the general fund of the township.

Testing indicated there was at a minimum \$21,729.09 in emergency medical services (EMS) receipts that were not deposited in the township's bank account nor recorded on the township's books. The EMS receipts appear to have been deposited into the fire department's outside bank accounts. Since the EMS charges were not placed into a Township fund, the Township does not have any documentation verifying that the monies were used in accordance with the allowable purposes enumerated in 505.84 of the Ohio Revised Code.

The Township should require all receipts resulting from EMS be deposited with the Township clerk and recorded on the Township's books in the ambulance and emergency medical services fund and to the charges for services account/line item.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money unaccounted for is hereby issued jointly and severally against Steve Neff and Tammy Neff in the amount of \$21,729.09 and in favor of the Township's emergency medical services fund.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2004-004 (Continued)

Noncompliance Citation

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.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from 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 expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During the audit period, 68% of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that none of the three exceptions above were utilized for the items found to be in non-compliance. The Township should certify the availability of funds prior to incurring the obligation for expenditures. The Township should also implement the use of "Then and Now" Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2004-005

Noncompliance Citation

Ohio Rev. Code Section 9.38 states that monies should be deposited with the Township Clerk or designated depository within 24 hours of collection.

The majority of fire grant, EMS, and fire donation receipts were not deposited with the Clerk or designated depository in 2004 and 2003. These receipts were deposited in a separate fire department bank account and were not reported on the annual financial statements of the Township, nor otherwise reported by the fire department.

FINDING NUMBER 2004-005 (Continued)

Noncompliance Citation

Additionally certain zoning, cemetery, and miscellaneous receipts were not deposited with the Clerk or designated depository for a period ranging between 2 to 30 days after initial receipt of the money. Delays of this nature could cause Township receipts to be lost or misplaced without being detected in a timely manner.

The Township should properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amount of daily receipts exceeds \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

FINDING NUMBER 2004-006

Noncompliance Citation

Ohio Rev. Code Section 149.351 requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42.

The Township could not provide supporting documentation for EMS receipts, fire grant receipts, and 5% of the non-payroll disbursements tested. Additionally, records pertaining to construction contracts could not be located. Failure to maintain receipt and disbursement records could result in lack of accountability.

We recommend the Township develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 2004-007

Noncompliance Citation

Ohio Rev. Code Section 507.11(B) states that no money belonging to a township may be paid out except upon a order signed personally by at least two trustees and countersigned by the clerk.

In 2004 and 2003, the Township's Fire Department maintained separate bank accounts and made expenditures of \$23,818 and \$69,265, respectively without the signatures of the Trustees or Clerk. The Clerk should control all Township bank accounts and all expenditures should be authorized by the Trustees to avoid improper expenditures. In addition, the Clerk should ensure all accounts are included in the Township's appropriations ledger to avoid overspending.

FINDING NUMBER 2004-008

Material Weakness

Payroll Records

The following items were noted during payroll testing:

- An employee appeared to be paid for the same pay-period twice
- Checks were written in advance of the pay-period or period of service and in several instances actually issued to the employee before the service was performed
- Timesheets were not always maintained and/or approved by the Trustees
- Hourly and salary rates were not always documented and approved in the minutes
- Personnel files were not maintained
- Trustees were not paid in accordance with the Ohio Revised Code (underpaid in 2004)
- Pay periods were not always consistent in the number of days in the period
- Leave hours earned and used were not always tracked accurately
- Employees were paid for 100% of their sick leave balance upon resignation or termination.
- There was no sick, vacation, and compensatory leave policy regarding the accrual, usage, and payout of such leave
- W2's were not maintained for 2004
- The actual percent allocated to be paid from the General and Gasoline Tax Fund for Trustees' salaries was not adhered to for 2003.

In order to facilitate proper payroll practices, we recommend the Township develop and implement payroll policies and procedures. The payroll policies and procedures should at a minimum include the following:

- Procedures for maintaining complete personnel files so that up-to-date information is available to the Clerk and Township officials. The Clerk should establish employee personnel files for each Township employee (full and part-time). These files should include the employee's name, address, social security number and payroll withholding forms (federal, state, OPERS, etc.). In addition, the employee's hire date and current salary (include ordinance copies, if applicable) should also be documented.
- Policy documenting the frequency of pay and whether or not employees may receive their paychecks in advance.
- Policy requiring the use of timesheets. In addition, it should stipulate the process for approving and monitoring the hours worked including compensatory and overtime hours. It should also indicate how compensatory hours and overtime hours may be used or paid.
- Procedures for recording and tracking sick, vacation, compensatory time earned and used. In addition, the policy should indicate the maximum amount of sick leave hours that are allowable to be paid upon termination or resignation from the township.
- Procedures for ensuring that the Trustees and Clerk are paid accurately in accordance with the Ohio Revised Code.
- Procedures to ensure the Trustees and Clerk are paid the correct amount from the correct fund based on the percentage allocation established by the Board. In addition the Trustees should review documentation to ensure the percent allocated is representative of the time spent on the various activities associated with that funds purpose.

FINDING NUMBER 2004-009

Material Weakness

Bank Reconciliation

The Clerks monthly bank account reconciliations lacked documentation of supervisory reviews. The reconciliations included reconciling items resulting from; numerous errors in recording deposits, errors in recording checks, monies not being posted to the UAN system, and duplicate entries to the UAN system. We noted that errors were carried forward for several months without being corrected. This resulted in the individual fund balances being materially misstated throughout the audit period. These weaknesses increase the likelihood of material errors occurring.

The reconciling items contained posting errors; these included an \$8,500 voided check that was subsequently cashed, unrecorded interest, unrecorded deposits, unrecorded expenditures, and duplications of transaction entries. The uncorrected errors carried forward from each month have contributed to the numerous reconciling errors.

We recommend the following policies and procedures be implemented to address the control weaknesses in the Township.

- The bank account should be reconciled within a week after receiving the bank statement and reconciling items should be corrected before the next month ends, whenever possible. The reconciliations should be reviewed and signed off by the Township Trustees. The Clerks should exercise due care when preparing deposits, writing checks, and posting to the system. The outstanding checklist should reflect only those checks actually outstanding at month end.
- The various reports used to monitor the Township's activity should be reviewed and initialed by the Township Trustees to indicate review and approval of the reports.
- All duplicate receipts should be matched to the source documentation and be referenced to the relevant deposit ticket. The deposit ticket should include the relevant receipt numbers and amounts which will help reduce the risk of errors and/or irregularities occurring.
- Any collections by individuals other than the Clerk should be promptly remitted to the Clerk and should include copies of source documents and copies of any calculations used to determine the allocation of receipts should be reviewed and approved by the Clerk.
- The Clerk should promptly review and post any corrections to the individual funds. The Clerk should also review and update reconciling items monthly. Any undistributed funds related to stale dated checks should be investigated and distributed as appropriate.

The Trustees should develop written formal policies and procedures. The policies and procedures should cover such items as: preparing the bank reconciliation, when it should be done, and the review of it.

FINDING NUMBER 2004-010

Reportable Condition

Policy and Procedure Manual

The Board of Trustees has not adopted a formal policies and procedures manual, which could include items such as a formal policy for hiring personnel, written job descriptions for all Township employees, accounting procedures narratives (receipts/expenditures), related party policies, and a policy for travel and reimbursing expenditures, etc. The lack of a formal policy and procedures manual creates an undefined system of accounting and reporting which could lead to a lack of segregation of duties, errors not being detected in a timely manner, and incorrect interpretations of the Township's rules and practices.

The Township Board of Trustees should establish and adopt an all-inclusive policies and procedures manual. This will help ensure a defined system of accounting and reporting.

FINDING NUMBER 2004-011

Reportable Condition

Financial Monitoring

The Clerk did not prepare monthly financial reports for the Trustees to review and approve. The Trustees did not formally review or approve any financial information on a monthly basis.

This lack of monitoring does not allow the Trustees to be up to date on the financial activity of the Township and restricts their monitoring abilities over the Clerk and the Township's finances. Unrecognized errors resulting in misstatements of the Township's records could occur and not be timely detected as a result of not monitoring the bank reconciliations and monthly reports.

We recommend the Trustees request monthly financial reports and formally recognize in the minutes the acceptance of monthly reports they receive from the Clerk. Reports should include, but not be limited to, the monthly cash reconciliation, budget to actual statements, and receipt/expenditure/fund balance reports. These reports should reflect all activity of the Township. This will increase the Trustees' awareness of all finance related activity and facilitate their decision making process.

FINDING NUMBER 2004-012

Reportable Condition

Related Party Transaction

The Township has not adopted a policy that addresses the awarding of contracts to family members. A previous Township Fire Chief employed his sister's company as a contractor to construct a building for the fire department without competitive bidding. Without a policy to document the procedures used when considering goods or services to be provided by Township related parties, Township officials could be subject to ethics violations.

The Board of Trustees should adopt a policy that addresses the hiring of family members. This policy should specifically address how the Township will ensure that Township officials do not have an interest in a public contract. The Township should consult the Ohio Ethics Commission for guidance.

FINDING NUMBER 2004-013

Reportable Condition

Federal Taxpayer Identification Number

The former fire chief of the Sullivan Volunteer Fire Department applied for various state grants using the Township's federal taxpayer identification number (TIN) without the approval or knowledge of the township trustees. Subsequent receipt of grant moneys totaling \$19,136 between 2002 and February, 2005 were deposited into fire department bank accounts that were not under the control of the Township trustees nor part of the Township financial statements.

This resulted in intergovernmental revenues not being reported within the township's financial statements and could allow for money used for other than proper public purposes of the Township. We recommend that all grant applications utilizing the Township's TIN be signed and approved by the township trustees and the subsequent receipt of funds be deposited in Township bank accounts and properly accounted for in the Township's financial statements.

FINDING NUMBER 2004-014

Reportable Condition

Fixed Asset Inventory

The former fire chief of the Sullivan Volunteer Fire Department purchased various fixed assets and equipment using state grant funds applied for using the Township's federal taxpayer identification number (TIN) thereby making these purchases assets of the Township. Many of these items could not be located during the audit. The Township does not have a formal written fixed asset policy for identifying and tracking assets owned by the Township. This could allow for such township owned assets to be misappropriated and not accounted for in a timely manner by management.

We recommend the Township adopt a formal written fixed asset policy that should include, at a minimum, maintaining a detailed written inventory of all assets and their location owned by the Township, employing a means of identifying the assets such as the use of tag numbers, and requiring periodic physical inventory observations.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 9.39, a finding for recovery for monies collected by unaccounted for was issued against various township officials.	Fully Corrected	Finding No Longer Valid
2002-002	Ohio Rev. Code Section 117.28, a finding for recovery was issued against the former township clerk for illegal expenditures.	Fully Corrected	Finding No Longer Valid
2002-003	Ohio Rev. Code Section 117.28, a finding for recovery was issued against the former township clerk for illegal expenditures.	Fully Corrected	Finding No Longer Valid
2002-004	Ohio Rev. Code Section 5705.41(D), 98% of the expenditures were not certified by the township clerk.	Not Corrected	Repeated as Finding #2004-004.
2002-005	Policy and Procedure Manual, the Township did not have a policy and procedure manual.	Not Corrected	Repeated as Finding #2004-010.
2002-006	Sick and Vacation Leave, the Township did not adopt a formal sick and vacation leave policy.	Not Corrected	Repeated as Finding #2004-008.
2002-007	Financial Monitoring, the Township Trustees did not formally review or approve any financial information on a monthly basis.	Not Corrected	Repeated as Finding #2004-011.



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SULLIVAN TOWNSHIP

ASHLAND 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
MARCH 28, 2006**