

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

AUDIT REPORT

JANUARY 1, 2013 - DECEMBER 31, 2014



Dave Yost • Auditor of State

Board of Trustees
Sullivan Township
P. O. Box 9
Sullivan, Ohio 44880

We have reviewed the *Independent Auditors' Report* of Sullivan Township, Ashland County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. 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. Sullivan Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 21, 2015

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**SULLIVAN TOWNSHIP
ASHLAND COUNTY
JANUARY 1, 2013 - DECEMBER 31, 2014**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Sullivan Township, Ashland County, as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

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

Though the 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 permitted 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 Sullivan Township, Ashland County as of December 31, 2014 and 2013, 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 Sullivan Township, Ashland County as of December 31, 2014 and 2013, 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 a report dated July 2, 2015, on our consideration of Sullivan Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
July 2, 2015

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 55,441	\$ 104,327	\$ 159,768
Charges for Services	-	12,234	12,234
Licenses, Permits and Fees	10,772	8,150	18,922
Intergovernmental	21,973	103,200	125,173
Miscellaneous	15,549	4,628	20,177
Total Cash Receipts	<u>103,735</u>	<u>232,539</u>	<u>336,274</u>
Cash Disbursements:			
Current:			
General Government	97,127	20,786	117,913
Public Safety	-	7,802	7,802
Public Works	-	164,376	164,376
Health	1,223	7,960	9,183
Debt Service-Principal	-	32,578	32,578
Capital Outlay	-	10,466	10,466
Total Cash Disbursements	<u>98,350</u>	<u>243,968</u>	<u>342,318</u>
Excess of Receipts Over (Under) Disbursements	5,385	(11,429)	(6,044)
Other Financing Receipts (Disbursements)			
Advances In	500	500	1,000
Advances Out	(500)	(500)	(1,000)
Other Financing Uses	(2,000)	-	(2,000)
Total Other Financing Receipts (Disbursements)	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Net Change in Fund Cash Balance	3,385	(11,429)	(8,044)
Fund Cash Balances, January 1	<u>24,941</u>	<u>97,866</u>	<u>122,807</u>
Fund Cash Balances, December 31			
Restricted	-	86,437	86,437
Unassigned (Deficit)	28,326	-	28,326
Fund Cash Balances, December 31	<u>\$ 28,326</u>	<u>\$ 86,437</u>	<u>\$ 114,763</u>

See notes to financial statements.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 56,964	\$ 103,736	\$ 160,700
Charges for Services	7,360	18,797	26,157
Licenses, Permits and Fees	25,502	6,040	31,542
Intergovernmental	-	118,006	118,006
Miscellaneous	16,390	5,612	22,002
Total Cash Receipts	<u>106,216</u>	<u>252,191</u>	<u>358,407</u>
Cash Disbursements:			
Current:			
General Government	102,680	13,993	116,673
Public Safety	-	24,530	24,530
Public Works	-	152,757	152,757
Health	1,500	8,211	9,711
Human Services	-	10,000	10,000
Debt Service-Principal	-	32,578	32,578
Capital Outlay	-	750	750
Total Cash Disbursements	<u>104,180</u>	<u>242,819</u>	<u>346,999</u>
Excess of Receipts Over (Under) Disbursements	2,036	9,372	11,408
Other Financing Receipts (Disbursements)			
Other Financing Uses	(1,533)	(10,880)	(12,413)
Total Other Financing Receipts (Disbursements)	<u>(1,533)</u>	<u>(10,880)</u>	<u>(12,413)</u>
Net Change in Fund Cash Balance	503	(1,508)	(1,005)
Fund Cash Balances, January 1	<u>24,438</u>	<u>99,374</u>	<u>123,812</u>
Fund Cash Balances, December 31			
Restricted	-	97,866	97,866
Unassigned (Deficit)	24,941	-	24,941
Fund Cash Balances, December 31	<u>\$ 24,941</u>	<u>\$ 97,866</u>	<u>\$ 122,807</u>

See notes to financial statements.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. Police protection is provided by the Ashland County Sheriff.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 exceeding the member's deductible.

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

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

C. Deposits and Investments

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

D. Fund Accounting

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

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road and Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Ambulance and Emergency Medical Services Fund – This fund receives property tax monies and user fees to pay for Township Ambulance and Emergency Medical Services.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G Property, Plant and Equipment

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a deposit and investment 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:

	2014	2013
Demand Deposits	\$ 114,763	\$ 122,807
	\$ 114,763	\$ 122,807

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 100,411	\$ 103,735	\$ 3,324
Special Revenue	256,496	232,539	(23,957)
Total	\$ 356,907	\$ 336,274	\$ (20,633)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 125,352	\$ 100,350	\$ 25,002
Special Revenue	325,735	243,968	81,767
Total	\$ 451,087	\$ 344,318	\$ 106,769

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 100,929	\$ 106,216	\$ 5,287
Special Revenue	261,322	252,191	(9,131)
Total	\$ 362,251	\$ 358,407	\$ (3,844)

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 120,558	\$ 105,713	\$ 14,845
Special Revenue	351,104	253,699	97,405
Total	\$ 471,662	\$ 359,412	\$ 112,250

Contrary to ORC 5705.41(D), the Township had invoices dated prior to certification.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2014.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

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, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2014 and 2013 (the latest information available):

	<u>2014</u>	<u>2013</u>
Assets	\$35,970,263	\$34,954,286
Liabilities	(8,912,432)	(8,486,363)
Retained Earnings	\$27,057,831	\$26,467,923
Retained Earnings	<u>\$ 6,413,188</u>	<u>\$ 5,805,909</u>

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$8.2 and \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 and \$7.4 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$6,582.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT (Continued)

Based on discussion 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>	
2014	\$20,250
2013	19,946

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

7. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan-2006	\$137,938	0%
Ohio Public Works Commission Loan-2009	<u>319,041</u>	0%
Total	<u>\$456,979</u>	

The 2006 Ohio Public Works Commission Loan was entered into to finance the Township Road 462 reconstruction and widening project. The project was started in 2005 and completed in 2006. This loan will be repaid in semi-annual installments of \$5,997, with no interest through January 1, 2026. This loan is collateralized by the Township's taxing authority. Paid by the Gasoline Tax Fund.

The 2009 Ohio Public Works Commission Loan was entered into to finance the reconstruction and widening of Township Road 391. The project was started and completed in 2009. This loan will be repaid in installments of \$10, 292, with no interest through January 1, 2030. The loan is collateralized by the Township's taxing authority. Paid by the Gasoline Tax Fund.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	2006 OPWC	2009 OPWC
	<u>Loan</u>	<u>Loan</u>
2015	\$11,995	\$20,583
2016	11,995	20,583
2017	11,995	20,583
2018	11,995	20,583
2019	11,995	20,583
2020-2024	59,975	102,916
2025-2029	17,988	102,916
2030-2034	-	<u>10,294</u>
Total	<u>\$137,938</u>	<u>\$319,041</u>

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

8. LEGAL SETTLEMENTS

The Township was a defendant in two lawsuits. One lawsuit went to mediation and was completed on October 11, 2010. The outcome of the mediation was the plaintiffs were awarded \$80,000. The Township's insurance company, Ohio Township Association Risk management Authority (OTARMA), paid \$10,000, and the Township was required to pay \$25,000 within 30 days of the Mediation. The Township is then to pay \$9,500 over the net four years on October 1 of each year, and a final payment of \$7,000 made by May 1, 2015. As of December 31, 2014, the remaining unpaid balance was \$7,000.

The Township's other lawsuit was resolved by way of agreed settlement on October 20, 2011. The outcome of the settlement was the plaintiffs were awarded \$55,000. The Township's insurance company, Ohio Township Association Risk Management Authority (OTARMA), paid \$7,500, and the Township was required to pay \$13,500 as an initial payment. The Township is then to pay \$9,000 over the next two years on May 1 of each year, and \$8,000 over the following two years on May 1 of each year. As of December 31, 2014, the remaining unpaid balance was \$8,000.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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 Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Sullivan Township, Ashland County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 2, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Sullivan 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2014-02, Finding 2014-03, and Finding 2014-05 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sullivan 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-01 and 2014-04.

Entity's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
July 2, 2015

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution "Then and Now" Certificates. Amounts 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 the expenditures by the Township.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Township has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01 (Continued)

The Township did not certify the availability of funds prior to the purchase commitment for 41% of expenditures tested. For these items the Township also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Client Response: We received no response from client.

FINDING NUMBER 2014-02

Material Weakness-Bank Reconciliations

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance each month. Bank reconciliation means accounting for the differences between the balance of the bank statement(s) and the cash and investment balances according to the Township's records.

The Township's December 31, 2014 bank reconciliation initially showed a bank over book balance variance of \$1,790 and the Township's December 31, 2013 bank reconciliation showed a bank over book balance of \$7,014. All known adjustments were posted to the accounting system and financial statements.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened which could hinder management's timely detection of errors or irregularities. The Township should perform complete monthly bank reconciliations in a timely manner. Copies of the monthly bank reconciliations and listing of outstanding checks and other reconciling items should be provided to the Board each month for review. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month to month and all reconciling items should be appropriately documented.

Client Response: We received no response from client.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-03

Material Weakness-Transaction Posting

Our receipt and expenditure testing revealed that the Township recorded several transactions incorrectly. Mispostings identified included, but were not limited, to the following:

- In 2014, \$8,894 and \$7,355 of intergovernmental homestead and rollback receipts were incorrectly posted to the General Fund and the Road and Bridge Fund property tax receipts, respectively. These amounts were adjusted to the financial statements and accounting records.
- In 2013, \$12,268 and \$13,069 of intergovernmental homestead and rollback receipts were incorrectly posted to the General Fund and the Road and Bridge Fund property tax receipts, respectively. These amounts were adjusted to the financial statements and accounting records.
- In 2014, \$7,084 of Road and Bridge Fund receipts for intergovernmental homestead and rollback receipts were incorrectly posted to the General Fund. This amount was adjusted to the financial statements and accounting records.
- In 2014 and 2013, \$32,578, respectively of debt service payments were incorrectly posted to Gasoline Tax Fund public works disbursements. These amounts were adjusted to the financial statements and accounting records.
- In 2014, \$2,400 of general government disbursements for the General Fund were incorrectly posted to public works disbursements in the Gasoline Tax Fund. This amount was adjusted to the financial statements and accounting records.

The Township should review the Township's Handbook and exercise due care when posting transactions to help ensure receipts and disbursements are posted to the correct fund and account. Additionally, the Township's Board should review monthly receipt and disbursement activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Township's financial activity and will aid in more accurate financial reporting.

Client Response: We received no response from client.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-04

Noncompliance – Appropriations

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

In 2014 and 2013 a temporary appropriation measure was not passed until February. Our recommendation is that if it is the Township's desire to pass temporary appropriations that needs to be done on or around the first day of the year. Permanent appropriations then would need passed prior to April 1st.

Client Response: We received no response from client.

FINDING NUMBER 2014-05

Noncompliance and Material Weakness

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Throughout the period, several instances of incomplete voucher packages were found when testing disbursements. The voucher package should include a check stub, invoice, and a reference to the purchase order. During testing, there were incomplete packages that caused us to have to perform additional audit procedures to verify the expenditures. We recommend that due care should be taken to ensure completeness of the records related to the disbursement.

Client Response: We received no response from the client.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Noncompliance ORC 5705.41 (D)-23.3 percent of expenditures tested were not certified prior to obligation.	No	Repeated as Finding 2014-001
2012-002	Material Weakness The bank reconciliation was not accurate as of December 31, 2012 or 2011.	No	Repeated as Finding 2014-002
2012-003	Material Weakness There were various receipts and expenditures not posted properly.	No	Repeated as Finding 2014-003



Dave Yost • Auditor of State

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
OCTOBER 1, 2015**