

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

AUDIT REPORT

JANUARY 1, 2015 - DECEMBER 31, 2016



Dave Yost • Auditor of State

Township Trustees
Sullivan Township
PO Box 9
Sullivan, Ohio 44880

We have reviewed the *Independent Auditor's Report* of Sullivan Township, Ashland County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. 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

December 21, 2017

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**SULLIVAN TOWNSHIP
ASHLAND COUNTY
JANUARY 1, 2015 - DECEMBER 31, 2016**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2016	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2015	4
Notes to the Financial Statements	5
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	12
Schedule of Audit Findings	14
Schedule of Prior Audit Findings	18

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

Management's Responsibility For the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to 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 2 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 (GAAP), 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sullivan Township, Ashland County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2017, 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
June 21, 2017

**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, 2016**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 58,304	\$ 105,802	\$ 164,106
Charges for Services	-	11,121	11,121
Licenses, Permits and Fees	9,322	5,851	15,173
Intergovernmental	22,777	139,117	161,894
Miscellaneous	24,997	10,588	35,585
Total Cash Receipts	<u>115,400</u>	<u>272,479</u>	<u>387,879</u>
Cash Disbursements:			
Current:			
General Government	107,962	4,829	112,791
Public Safety	-	18,855	18,855
Public Works	-	152,898	152,898
Health	1,383	1,790	3,173
Human Services	-	825	825
Debt Service-Principal		32,578	32,578
Capital Outlay	3,720	70,811	74,531
Total Cash Disbursements	<u>113,065</u>	<u>282,586</u>	<u>395,651</u>
Excess of Receipts Over (Under) Disbursements	2,335	(10,107)	(7,772)
Other Financing Receipts (Disbursements)			
Transfers In	-	13,259	13,259
Transfers Out	(13,259)	-	(13,259)
Total Other Financing Receipts (Disbursements)	<u>(13,259)</u>	<u>13,259</u>	<u>-</u>
Net Change in Fund Cash Balance	(10,924)	3,152	(7,772)
Fund Cash Balances, January 1	<u>50,207</u>	<u>50,347</u>	<u>100,554</u>
Fund Cash Balances, December 31			
Restricted	-	53,238	53,238
Assigned	-	261	261
Unassigned (Deficit)	39,283	-	39,283
Fund Cash Balances, December 31	<u>\$ 39,283</u>	<u>\$ 53,499</u>	<u>\$ 92,782</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, 2015**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 58,577	\$ 105,824	\$ 164,401
Charges for Services	-	17,633	17,633
Licenses, Permits and Fees	7,345	4,800	12,145
Intergovernmental	40,076	114,902	154,978
Miscellaneous	26,664	11,174	37,838
Total Cash Receipts	<u>132,662</u>	<u>254,333</u>	<u>386,995</u>
Cash Disbursements:			
Current:			
General Government	100,700	19,115	119,815
Public Safety	-	18,655	18,655
Public Works	-	173,272	173,272
Health	1,372	2,476	3,848
Human Services	-	10,000	10,000
Debt Service-Principal	-	32,578	32,578
Capital Outlay	2,509	40,527	43,036
Total Cash Disbursements	<u>104,581</u>	<u>296,623</u>	<u>401,204</u>
Excess of Receipts Over (Under) Disbursements	28,081	(42,290)	(14,209)
Other Financing Receipts (Disbursements)			
Transfers In	-	6,200	6,200
Transfers Out	(6,200)	-	(6,200)
Total Other Financing Receipts (Disbursements)	<u>(6,200)</u>	<u>6,200</u>	<u>-</u>
Net Change in Fund Cash Balance	21,881	(36,090)	(14,209)
Fund Cash Balances, January 1	<u>28,326</u>	<u>86,437</u>	<u>114,763</u>
Fund Cash Balances, December 31			
Restricted	-	50,347	50,347
Unassigned (Deficit)	50,207	-	50,207
Fund Cash Balances, December 31	<u>\$ 50,207</u>	<u>\$ 50,347</u>	<u>\$ 100,554</u>

See notes to financial statements.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 & 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 medical services.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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.

D. 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 re-appropriated.

A summary of 2016 and 2015 appears in Note 3.

E. Deposits and Investments

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

F. Capital Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. 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:

Nonspendable

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

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.

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.

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.

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.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2016 and 2015 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 104,391	\$ 115,400	\$ 11,009
Special Revenue	299,862	272,479	(27,383)
Total	\$ 404,253	\$ 387,879	\$ (16,374)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 154,598	\$ 126,324	\$ 28,274
Special Revenue	321,258	282,586	38,672
Total	\$ 475,856	\$ 408,910	\$ 66,946

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 102,263	\$ 132,662	\$ 30,399
Special Revenue	249,178	260,533	11,355
Total	\$ 351,441	\$ 393,195	\$ 41,754

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 130,914	\$ 110,781	\$ 20,133
Special Revenue	332,760	296,623	36,137
Total	\$ 463,674	\$ 407,404	\$ 56,270

Contrary to ORC 5705.39, in 2015 the Road and Bridge Fund had appropriations greater than estimated resources.

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification of funds.

4. EQUITY IN POOLED CASH

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

	2016	2015
Demand Deposits	\$ 92,782	\$ 100,554
Total Deposits	\$ 92,782	\$ 100,554

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. 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.

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, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 and 2015 (the latest information available):

	<u>2016</u>	<u>2015</u>
Assets	\$38,473,283	\$37,313,311
Liabilities	(8,244,140)	(8,418,518)
Retained Earnings	<u>\$30,229,143</u>	<u>\$28,894,793</u>

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT(Continued)

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 members and 989 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$9,222.

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.

Contributions to OTARMA

2016	\$20,494
2015	20,447
2014	20,250

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. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Township's full-time employees 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 2016 and 2015, OPERS members contributed 10.0% of their gross wages, except for law enforcement who contributed 13.0% and the Township contributed an amount equal to 14.0% of participant's gross salaries, except for law enforcement, where the Township contributed 18.1%. The Township has paid all contributions required through December 31, 2016.

8. POSTEMPLOYMENT BENEFITS

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

9. 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.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

10. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan-2006	\$113,949	0%
Ohio Public Works Commission Loan-2009	<u>277,874</u>	0%
Total	<u>\$391,823</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, including interest, is scheduled as follows:

<u>Year Ended December 31</u>	<u>OPWC CP21H</u>	<u>OPWC CP31M</u>
2017	\$ 11,995	\$ 20,583
2018	11,995	20,583
2019	11,995	20,583
2020	11,995	20,583
2021	11,995	20,583
2022-2025	53,974	102,916
2026-2030	-	<u>72,043</u>
Total	<u>\$ 113,949</u>	<u>\$ 277,874</u>

11. LEGAL SETTLEMENTS

The Township was a defendant in two lawsuits and it was determined the Township owed money to the plaintiffs. All monies have been paid as of December 31, 2016.

**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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 21, 2017, 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 2016-002, Finding 2016-003, and Finding 2016-004 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 2016-001 and 2016-004.

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
June 21, 2017

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

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

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

FINDING NUMBER 2016-001

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, 2016 AND 2015**

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

FINDING NUMBER 2016-001 (Continued)

The Township did not certify the availability of funds prior to the purchase commitment for 49% 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 2016-002

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, 2016 bank reconciliation initially showed a book over bank balance variance of \$334 and the Township's December 31, 2015 bank reconciliation showed a book over bank balance of \$494. 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 2016-003

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 2016, \$4,764 and \$7,304 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 2015, \$5,992 and \$5,992 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 2016 and 2015, \$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 2016, \$3,720 of Capital Outlay disbursements for the General Fund were incorrectly posted to General Government disbursements in the General Fund. This amount was adjusted to the financial statements and accounting records.
- In 2015, \$2,509 of Capital Outlay disbursements for the General Fund were incorrectly posted to General Government disbursements in the General Fund. This amount was adjusted to the financial statements and accounting records.
- In 2016, \$8,425 of Capital Outlay disbursements for the MVL Tax Fund were incorrectly posted to Public Works disbursements in the MVL 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, 2016 AND 2015**

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

FINDING NUMBER 2016-004

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, 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-01	Noncompliance ORC 5705.41 (D)-49 percent of expenditures tested were not certified prior to obligation.	No	Not Corrected Repeated as Finding 2016-001
2014-02	Material Weakness The bank reconciliation was not accurate as of December 31, 2014 or 2013.	No	Not Corrected Repeated as Finding 2016-002
2014-03	Material Weakness There were various receipts and expenditures not posted properly.	No	Not Corrected Repeated as Finding 2016-003
2014-04	Noncompliance ORC 5705.38(A) Appropriation passage	Yes	Finding No Longer Valid
2014-05	Noncompliance/Material Weakness OAC 117-2-02(A) maintaining accounting records	No	Not Corrected Repeated as Finding 2016-004



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
DECEMBER 28, 2017**