

**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Sullivan Township
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We have reviewed the Independent Auditor's Report of Sullivan Township, Ashland County, prepared by Rea & Associates, Inc., for the audit period January 1, 2000 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 19, 2002

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**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 17, 2002

Board of Trustees
Sullivan Township
Ashland County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Sullivan Township, Ashland County, as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Sullivan Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Township, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of The State of Ohio, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 17, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Rea & Associates, Inc.

SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR
FIDUCIARY FUND TYPES**

FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Non-Expendable Trust	
CASH RECEIPTS:					
Taxes	\$ 35,433	\$ 72,191	\$ 37,257	\$ 0	\$ 144,881
Charges for Services	0	7,037	0	0	7,037
Licenses, Permits, and Fees	8,750	4,300	0	0	13,050
Intergovernmental Receipts	33,517	79,501	4,645	0	117,663
Interest	1,144	180	420	0	1,744
All Other Revenue	2,401	11,500	29	0	13,930
Total Cash Receipts	81,245	174,709	42,351	0	298,305
CASH DISBURSEMENTS:					
General Government	71,172	0	1,274	0	72,446
Public Safety	129	27,774	0	0	27,903
Public Works	3,523	151,917	0	0	155,440
Health	2,032	5,267	0	0	7,299
Capital Outlay	0	10,746	0	0	10,746
Debt Service - Note Principal Payment	0	7,550	40,000	0	47,550
Debt Service - Interest and Fiscal Charges	0	81	1,285	0	1,366
Total Cash Disbursements	76,856	203,335	42,559	0	322,750
Total Receipts Over (Under) Disbursements	4,389	(28,626)	(208)	0	(24,445)
Fund cash balances, beginning of year	62,119	62,413	17,201	311	142,044
Fund cash balances, end of year	\$ 66,508	\$ 33,787	\$ 16,993	\$ 311	\$ 117,599

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR
FIDUCIARY FUND TYPES**

FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Non-Expendable Trust	
CASH RECEIPTS:					
Taxes	\$ 32,131	\$ 62,677	\$ 92,453	\$ 0	\$ 187,261
Charges for Services	0	6,419	0	0	6,419
Licenses, Permits, and Fees	10,560	2,700	0	0	13,260
Intergovernmental Receipts	51,636	81,124	289,643	0	422,403
Interest	2,081	210	2,064	0	4,355
All Other Revenue	2,501	36,692	3,720	0	42,913
Total Cash Receipts	98,909	189,822	387,880	0	676,611
CASH DISBURSEMENTS:					
General Government	71,425	0	278,955	0	350,380
Public Safety	203	17,060	0	0	17,263
Public Works	3,339	129,669	0	0	133,008
Health	1,141	3,225	0	0	4,366
Capital Outlay	0	20,551	318,975	0	339,526
Debt Service - Note Principal Payment	0	0	60,000	0	60,000
Debt Service - Interest and Fiscal Charges	0	362	3,131	0	3,493
Total Cash Disbursements	76,108	170,867	661,061	0	908,036
Total Receipts Over (Under) Disbursements	22,801	18,955	(273,181)	0	(231,425)
OTHER FINANCING SOURCES (USES):					
Proceeds of Notes	0	7,550	100,000	0	107,550
Total Other Financing Sources (Uses)	0	7,550	100,000	0	107,550
Total of Receipts and Other Sources Over (Under) Disbursements and Other Financing Uses	22,801	26,505	(173,181)	0	(123,875)
Fund cash balances, beginning of year	39,318	35,908	190,382	311	265,919
Fund cash balances, end of year	\$ 62,119	\$ 62,413	\$ 17,201	\$ 311	\$ 142,044

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 1: Summary of Significant Accounting Policies

A. Description of the Entity

The Township of Sullivan, Ashland County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected four member Board. The Township provides general governmental services, including road, bridge and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

General Fund

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

Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives state motor vehicle license tax money for the construction, repair, and maintenance of Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for the construction, repair and maintenance of Township roads and bridges.

Road and Bridges Fund - This fund receives real estate and personal property tax money for the construction, repair and maintenance of Township roads and bridges.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 1: Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

Cemetery Fund - This fund generates money through the selling of cemetery lots and donations from the general public. This money is disbursed for the maintenance and upkeep of Township cemeteries.

Fire District - This fund receives real estate and personal property tax money for the purchase of equipment and operation of a volunteer fire department for the township.

Ambulance and Emergency Medical Services - This fund generates money from each run made by the volunteer fire department for emergency medical services.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fire and Capital Equipment – This fund receives real estate and personal property tax money for the purchase of equipment and operation of a volunteer fire department for the township. This fund also receives money transferred from the Fire District Fund for future capital purchases of the fire department.

Issue II Project - This fund records grant money of the township paid directly to contractors for repair and maintenance of Township roads

Fiduciary Fund (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. The Township had the following significant fiduciary fund:

Non-Expendable Trust Fund - This fund receives money from the bequests of individuals. The earnings of which are expended for the upkeep of cemeteries and the purchase of cemetery land.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 1: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Appropriations (continued)

The Township's Fire Fund disbursements exceeded appropriations by \$4,086 for the year ended December 31, 2001. The Township's disbursements exceeded appropriations by \$108,065 for the year ended December 31, 2000. The funds in violation were the Issue II Project Fund by \$88,118 and the Fire and Capital Equipment Fund by \$100,158.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

NOTE 2: Equity in Pooled Cash

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

	<u>2001</u>	<u>2000</u>
Deposits	<u>\$ 117,599</u>	<u>\$ 142,044</u>
	<u><u>\$ 117,599</u></u>	<u><u>\$ 142,044</u></u>

Deposits

Deposits are covered by Federal Depository Insurance and security pledged as collateral.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 3: Budgetary Activity

Budgetary activity for the years ended December 31, 2001 and 2000 was as follows:

Budgeted vs. Actual Receipts

	2001			2000		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 147,491	\$ 81,245	\$ (66,246)	\$ 109,842	\$ 98,909	\$ (10,933)
Special Revenue	261,617	174,709	(86,908)	194,828	197,372	2,544
Capital Projects	99,664	42,351	(57,313)	570,388	487,880	(82,508)
Non-Expendable	311	0	(311)	316	0	(316)
Total	\$ 509,083	\$ 298,305	\$ (210,778)	\$ 875,374	\$ 784,161	\$ (91,213)

Budgeted vs. Actual Disbursements

	2001			2000		
	Budgeted Disbursements	Actual Disbursements	Variance	Budgeted Disbursements	Actual Disbursements	Variance
General	\$ 147,491	\$ 76,856	\$ 70,635	\$ 109,842	\$ 76,108	\$ 33,734
Special Revenue	253,617	203,335	50,282	194,871	170,867	24,004
Capital Projects	99,664	42,559	57,105	480,996	661,061	(180,065)
Non-Expendable	60	0	60	317	0	317
Total	\$ 500,832	\$ 322,750	\$ 178,082	\$ 786,026	\$ 908,036	\$ (122,010)

NOTE 4: Debt Obligation

Debt outstanding December 31, 2001 and 2000, consisted of the following:

	2001	2000
Note Payable		
Principal Outstanding	\$ 0	\$ 40,000
Interest Rate		6.5%
Note Payable		
Principal Outstanding	0	7,550
Interest Rate		9.5%

All outstanding notes at December 31 had been issued for ten years or less. Proceeds from the notes were used for a fire truck and a pickup truck for the fire department, respectively.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 5: Property Tax

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

Tangible personal property tax is assessed on the property owners, who must file a list of such property taxes 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.

NOTE 6: Retirement System

The Board of Trustees, Township Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 4325-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. For 2001 and 2000, the Township contributed an amount equal to 13.55% and 10.84%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2001.

NOTE 7: Risk Management

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Automobile
- Public Officials Liability

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 17, 2002

The Board of Trustees
Sullivan Township
Ashland County, Ohio

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Sullivan Township, Ashland County, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 17, 2002. We have conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sullivan Township general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Sullivan Township in a separate letter dated May 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sullivan Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Sullivan Township in a separate letter dated May 17, 2002.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the Township, and it is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 2, 2002**