



**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

SULLIVAN TOWNSHIP
ASHLAND COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2002.....	3
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Sullivan Township, Ashland County, Ohio, (the Township) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2003, 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.

Sullivan Township
Ashland County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 24, 2003

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$35,971	\$97,567	\$0	\$0	\$133,538
Intergovernmental	33,960	80,937			114,897
Charges for Services		6,081			6,081
Licenses, Permits, and Fees	14,805	7,550			22,355
Earnings on Investments	492	83	212		787
Other Revenue	788	13,803			14,591
	<u>86,016</u>	<u>206,021</u>	<u>212</u>	<u>0</u>	<u>292,249</u>
Total Cash Receipts					
	<u>86,016</u>	<u>206,021</u>	<u>212</u>	<u>0</u>	<u>292,249</u>
Cash Disbursements:					
Current:					
General Government	64,242				64,242
Public Safety		50,470			50,470
Public Works	4,451	151,182			155,633
Health	2,709	6,275			8,984
Capital Outlay	315	5,000			5,315
	<u>71,717</u>	<u>212,927</u>	<u>0</u>	<u>0</u>	<u>284,644</u>
Total Cash Disbursements					
	<u>71,717</u>	<u>212,927</u>	<u>0</u>	<u>0</u>	<u>284,644</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>14,299</u>	<u>(6,906)</u>	<u>212</u>	<u>0</u>	<u>7,605</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets		5,000			5,000
Transfers-In		18,000	331		18,331
Transfers-Out	(18,000)	(331)			(18,331)
	<u>(18,000)</u>	<u>22,669</u>	<u>331</u>	<u>0</u>	<u>5,000</u>
Total Other Financing Receipts/(Disbursements)					
	<u>(18,000)</u>	<u>22,669</u>	<u>331</u>	<u>0</u>	<u>5,000</u>
Excess of Cash Receipts and Other Financing Receipts (Under)/Over Cash Disbursements and Other Financing Disbursements	(3,701)	15,763	543	0	12,605
Fund Cash Balances, January 1	66,508	33,787	16,993	311	117,599
Fund Cash Balances, December 31	<u>\$62,807</u>	<u>\$49,550</u>	<u>\$17,536</u>	<u>\$311</u>	<u>\$130,204</u>

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

This page intentionally left blank.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sullivan Township, Ashland County, Ohio, (the Township) is a body corporate and politic 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, three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

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. Cash

The Township had no investments at December 31, 2002.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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 has the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township has the following capital projects fund:

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

4. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. 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 has the following fiduciary fund:

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 budgetary activity appears in Note 3.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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, 2002 was as follows:

	2002
Total demand deposits	\$130,204

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,816	\$86,016	\$200
Special Revenue	272,638	229,021	(43,617)
Capital Projects	0	543	543
Fiduciary	2	0	(2)
Total	\$358,456	\$315,580	(\$42,876)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,993	\$89,717	\$59,276
Special Revenue	234,638	213,258	21,380
Capital Projects	17,305	0	17,305
Fiduciary	313	0	313
Total	\$401,249	\$302,975	\$98,274

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The information presented in the table above for actual results include audit adjustments.

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not always certify the availability of certain funds prior to entering into the commitment during 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. 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 by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

6. RISK MANAGEMENT (Continued)

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

7. CONTINGENT LIABILITIES

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

8. SUBSEQUENT EVENTS

The Sullivan Volunteer Fire and EMS Department (the Department) is in the process of becoming its own legal and separate entity. On March 18, 2003, the Department filed domestic articles with the Ohio Secretary of State Office to become a non-profit organization that would be exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Department will be known as the Sullivan Volunteer Fire and EMS, Inc. An agreement is in the process of being arranged between the attorneys of the Township and the Department as to the types of services to be provided by the Department, condition of the payment of such services by the Township to the Department, use of vehicles and equipment, and the payment of utilities incurred for the operation of the fire station located within the Township.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited the accompanying financial statements of Sullivan Township, Ashland County, Ohio, (the Township) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 24, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-005 through 2002-007.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 24, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 24, 2003

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

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

FINDING NUMBER 2002-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 9.39, states in part that all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

Zoning receipts totaling \$1,570 pertaining to six approved applications were not recorded on the Township's receipt ledger nor were the fees deposited in the Township's bank account by the former Township Clerk, Roberta Penn. Of the fees not recorded, \$590 was from applications while Richard Lowe was zoning inspector, and \$980 was from applications while Dennis Woolley was zoning inspector.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for monies collected but unaccounted for is hereby issued against Roberta Penn, former Township Clerk, in the amount of one thousand five hundred seventy dollars (\$1,570), and Richard Lowe, former Zoning Inspector, in the amount of five hundred and ninety dollars (\$590), and Dennis Woolley, former Zoning Inspector, in the amount of nine hundred and eighty dollars (\$980), and the Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, and in favor of the Township General Fund.

On June 24, 2003, one thousand five hundred seventy dollars (\$1,570) was paid back to the Township.

FINDING NUMBER 2002-002

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320, provides that expenditures made by a governmental unit should serve a public purpose.

Expenditures totaling \$160.32 relating to flower purchases were charged on a credit card by the former Township Clerk, Roberta Penn. The Township did not have a policy in place pertaining to credit card purchases nor was there a resolution indicating that these purchases were for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for illegal expenditures is hereby issued against Roberta Penn, former Township Clerk, in the amount of one hundred sixty dollars and thirty-two cents (\$160.32) and the Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, and in favor of the Township General Fund.

On June 24, 2003, one hundred sixty dollars and thirty-two cents (\$160.32) was paid back to the Township.

FINDING NUMBER 2002-003

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320, provides that expenditures made by a governmental unit should serve a public purpose.

The former Township Clerk, Roberta Penn, was over reimbursed a total of \$101.55 for supplies and mileage during 2002 without supporting invoices and in excess of actual miles traveled.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for monies illegally expended is hereby issued against Roberta Penn, former Township Clerk, in the amount of one hundred and one dollars and fifty-five cents (\$101.55) and the Ohio Township Association Risk Management (OTARMA), jointly and severally, and in favor of the Township General Fund.

On June 24, 2003, one hundred and one dollars and fifty-five cents (\$101.55) was paid back to the Township.

FINDING NUMBER 2002-004

Noncompliance Citation

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

This section also provides for two "exceptions" to the above requirements:

- a) Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- b) If the amount involved is less than \$1,000 (or \$3,000 effective April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During 2002, 98% of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The Township should certify the availability of funds prior to incurring the obligation for expenditures. The Township should also implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. A similar matter was reported in the management letter in the December 31, 2001 and 2000, audit of the financial statements.

FINDING NUMBER 2002-005

Reportable Condition

Policy and Procedure Manual

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

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

FINDING NUMBER 2002-006

Reportable Condition

Sick and Vacation Leave

The Township Trustees have not adopted a formal sick and vacation leave policy. The Clerk did not maintain documentation of vacation and sick leave beginning and ending balances, nor accruals and usages for Township employees. As a result, leave accruals and usage may not be applied equitably to all Township employees. In addition, upon retirement or termination, a Township employee could be compensated for unused sick and vacation leave balances that are inaccurate.

The Township Trustees should adopt a formal sick and vacation leave policy that may include the following:

- Type of employees who are entitled to sick and vacation leave;
- The amount at which sick and vacation leave will be accrued for the type of employee;
- The procedures to be followed to request sick and vacation leave (Leave Forms, Supervisor Pre-approval, etc.);
- The maximum amount of sick and vacation balances that can be carried forward for the type of employee.

In addition, the Clerk should maintain vacation and sick leave records which detail beginning and ending balances, accruals and usages for each respective Township employee entitled to vacation and sick leave. Also, the Clerk should maintain leave forms to document requested leave is properly authorized. This may help ensure vacation and sick leave balances and usages are properly maintained and authorized.

FINDING NUMBER 2002-007

Reportable Condition

Financial Monitoring

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

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

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



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
AUGUST 12, 2003**