



Mary Taylor, CPA
Auditor of State

SULLIVAN TOWNSHIP
ASHLAND COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 19, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Sullivan Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, during 2008 and 2007, the Township revised its financial statement presentation to follow accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Sullivan Township, Ashland County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

June 19, 2009

**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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$53,564	\$145,343	\$198,907
Charges for Services		16,422	16,422
Licenses, Permits, and Fees	8,664	3,450	12,114
Intergovernmental	42,164	135,699	177,863
Rentals and Leases	13,250		13,250
Earnings on Investments	310	85	395
Miscellaneous	56	4,600	4,656
	<u>118,008</u>	<u>305,599</u>	<u>423,607</u>
Cash Disbursements:			
Current:			
General Government	114,787	4,602	119,389
Public Safety		67,552	67,552
Public Works		272,720	272,720
Health	1,445	6,093	7,538
Other		50	50
Capital Outlay		169,520	169,520
Debt Service:			
Redemption of Principal		11,995	11,995
	<u>116,232</u>	<u>532,532</u>	<u>648,764</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,776</u>	<u>(226,933)</u>	<u>(225,157)</u>
Other Financing Receipts/(Disbursements):			
Sale of Assets		5,411	5,411
Advances-In		5,000	5,000
Advances-Out	(5,000)		(5,000)
	<u>(5,000)</u>	<u>10,411</u>	<u>5,411</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(3,224)	(216,522)	(219,746)
Fund Cash Balances, January 1	<u>119,921</u>	<u>265,296</u>	<u>385,217</u>
Fund Cash Balances, December 31	<u>\$116,697</u>	<u>\$48,774</u>	<u>\$165,471</u>
Reserve for Encumbrances, December 31	<u>\$79</u>	<u>\$187</u>	<u>\$266</u>

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$55,065	\$149,447		\$204,512
Charges for Services		17,065		17,065
Licenses, Permits, and Fees	10,499	7,400		17,899
Intergovernmental	38,117	119,150	\$99,793	257,060
Rentals and Leases	11,500			11,500
Earnings on Investments	1,421	507		1,928
Miscellaneous	2,329	9,139		11,468
Total Cash Receipts	<u>118,931</u>	<u>302,708</u>	<u>99,793</u>	<u>521,432</u>
Cash Disbursements:				
Current:				
General Government	118,348	6,544		124,892
Public Safety		33,873		33,873
Public Works		215,117		215,117
Health	600	14,931		15,531
Capital Outlay			99,793	99,793
Debt Service:				
Redemption of Principal		11,995		11,995
Total Cash Disbursements	<u>118,948</u>	<u>282,460</u>	<u>99,793</u>	<u>501,201</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(17)	20,248	0	20,231
Fund Cash Balances, January 1	<u>119,938</u>	<u>245,048</u>		<u>364,986</u>
Fund Cash Balances, December 31	<u>\$119,921</u>	<u>\$265,296</u>	<u>\$0</u>	<u>\$385,217</u>
Reserve for Encumbrances, December 31	<u>\$834</u>	<u>\$5,709</u>	<u>\$0</u>	<u>\$6,543</u>

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sullivan Township, Ashland County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 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.

B. Accounting Basis

During 2006 and 2005, the Township followed the cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the cash accounting basis.

During 2008 and 2007, the Township continued to use the cash accounting basis but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

Cash consists of demand deposits and a savings account.

D. Fund Accounting

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

1. General Fund

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

Ambulance and Emergency Medical Services Fund - This fund receives property tax money and user fees for Township Ambulance and Emergency Medical Services.

3. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital projects fund:

Issue II Fund - The Township received a grant from the State of Ohio for the reconstruction of Township Road 581 South.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$165,209	\$384,955
Other time deposits (savings account)	262	262
Total deposits	\$165,471	\$385,217

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

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$116,592	\$118,008	\$1,416
Special Revenue	294,378	316,010	21,632
Total	\$410,970	\$434,018	\$23,048

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$227,962	\$121,311	\$106,651
Special Revenue	571,326	532,719	38,607
Total	\$799,288	\$654,030	\$145,258

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,421	\$118,931	\$6,510
Special Revenue	262,777	302,708	39,931
Capital Projects	0	99,793	99,793
Total	\$375,198	\$521,432	\$146,234

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$232,376	\$119,782	\$112,594
Special Revenue	507,135	288,169	218,966
Capital Projects	99,793	99,793	0
Total	\$839,304	\$507,744	\$331,560

Contrary to Ohio law, a transfer was made to the Township's books without a resolution of the Board of Trustees.

Contrary to Ohio law, appropriations exceeded estimated resources for one fund at December 31, 2008 and two funds at December 31, 2007.

4. Property Tax

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

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

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax (Continued)

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. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$203,909	0%

The 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. The loan is collateralized by the Township's taxing authority

Amortization of the above debt, including interest, is scheduled as follows:

	OPWC Loan
Year ending December 31:	Principal
2009	\$11,994
2010	11,994
2011	11,994
2012	11,994
2013	11,994
2014-2018	59,970
2019-2023	59,970
2024-2025	23,999
Total	\$203,909

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 9.5 percent and 10 percent, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 percent and 14 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. 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 Workers' 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. 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Beginning in 2005, the Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$12,631. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions 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

2007	\$14,026
2008	13,437

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Sullivan Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 19, 2009, wherein we noted the Township revised its financial statement presentation to follow accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2008-001 through 2008-003 described in the Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding numbers 2008-002 and 2008-003 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated June 19, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2008-003 and 2008-004.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated June 19, 2009.

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

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 19, 2009

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Significant Deficiency

Bank Reconciliations

A necessary step in the internal control over financial reporting is to reconcile the balance of the bank to the balance of cash in the accounting records. 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 cash reconciliation at December 31, 2008 had an unreconciled variance of \$1,542. The variance consisted of the following:

- Five outstanding checks totaling \$859 improperly excluded from the December 31, 2008 outstanding check list.
- Three void checks totaling \$1,498 improperly included on the December 31, 2008 outstanding check list.
- One check for \$785 which cleared the bank prior to year end and was improperly included on the December 31, 2008 outstanding check list.
- The Cemetery Trust savings account in the system is \$50 more than the actual bank account amount.
- Various posting errors throughout the year totaling \$168.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder managements timely detection of errors or irregularities. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented. Adjustments to the financial statements were made to correct the aforementioned items.

FINDING NUMBER 2008-002

Material Weakness

Transaction Posting

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

- In 2008 and 2007, homestead and rollback and tax replacement receipts were incorrectly posted to Property and Other Local Taxes receipts rather than Intergovernmental receipts for \$20,744 and \$6,455, respectively, in the General Fund; \$8,015 and \$9,897, respectively, in the Road and Bridge Fund; \$1,976 and \$1,936, respectively, in the Fire Fund; and \$2,791 and \$3,227, respectively, in the Ambulance and Emergency Medical Services Fund. These amounts were adjusted to the financial statements.
- In 2008, the first half homestead and rollback settlement was posted entirely to the General Fund rather than being allocated to all of the funds receiving property taxes, resulting in a \$10,484 overstatement of General Fund receipts and cash fund balance and an equal understatement of Special Revenue Fund receipts and cash fund balance. This amount was adjusted to the financial statements.
- In 2008, \$3,936 of permissive tax receipts was incorrectly posted to General Fund's Intergovernmental receipts. In 2007, \$1,035 of permissive tax receipts was incorrectly posted to the General Fund's Property and Other Local Taxes receipts. Both amounts should have been posted to the Motor Vehicle License Fund's Intergovernmental receipts. These amounts were adjusted to the financial statements.
- In 2008, tax receipts were incorrectly posted to General Fund's Property and Other Local Taxes receipts rather than being allocated to all of the funds receiving taxes, resulting in a \$344 overstatement of General Fund receipts and cash fund balance and an equal understatement of Special Revenue Fund receipts and cash fund balance. This amount was adjusted to the financial statements.
- In 2008, \$8,500 of rental income was incorrectly posted to General Fund's Licenses, Permits and Fees receipts rather than Rental Income receipts. This amount was adjusted to the financial statements.
- In 2008, a \$3,500 state grant was incorrectly posted to Ambulance and Emergency Medical Services Fund's Miscellaneous receipts rather than Intergovernmental receipts. This amount was adjusted to the financial statements.
- In 2008, proceeds from sale of assets were incorrectly posted to Miscellaneous receipts rather than Sale of Assets receipts for \$1,289 in the Road and Bridge Fund, \$1,831 in the Cemetery Fund, and \$2,292 in the Fire Fund. These amounts were adjusted to the financial statements.
- In 2008, \$2,489 of Fire Fund Public Safety disbursements was incorrectly posted as Advances Out. This amount was adjusted to the financial statements.
- In 2008 and 2007, debt service payments were incorrectly posted to Gasoline Tax Fund's Public Works disbursements rather than Debt Service disbursements in the amount of \$11,995 each year. These amounts were adjusted to the financial statements.

FINDING NUMBER 2008-002 (Continued)

The Township should review the Township's Handbook and exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. Additionally, the Township's Board should review cash reconciliations and 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.

FINDING NUMBER 2008-003

Noncompliance/Material Weakness

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. Ohio Rev. Code Section 5705.14 provides that inter-fund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Att'y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in **Ohio Rev. Code Sections 5705.14 to 5705.16**.

The Township made a transfer of \$13,000 from the General Fund to the Road and Bridge Fund. However, the transfer was not noted in the minutes as being approved by resolution by the Board of Trustees. As such, an adjustment was made to the financial statements to return the \$13,000 to the General Fund.

Whenever possible, the Township should directly receipt monies into the funds rather than transferring these monies. In addition, pursuant to **Ohio Rev. Code Section 5705.14**, a separate resolution with specific dollar amounts should be approved for each transfer.

FINDING NUMBER 2008-004

Noncompliance

Ohio Rev. Code Section 5705.39 requires total appropriations from each fund to not exceed total estimated fund resources from each fund. This section also requires the Township to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2008, total appropriations exceeded total estimated resources as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Special Revenue Fund:</u>			
Road and Bridge Fund	\$116,705	\$129,705	(\$13,000)

FINDING NUMBER 2008-004 (Continued)

At December 31, 2007, total appropriations exceeded total estimated resources as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Special Revenue Fund:</u>			
Ambulance and Emergency Medical Services Fund	\$135,551	\$135,651	(\$100)
Permissive Sales Tax Fund		99,793	(99,793)

The Township should monitor appropriations versus estimated resources to help avoid overspending.

Officials' Response for findings 2008-001 through 2008-004: We have reviewed the auditor's comments and the Township will take appropriate action.

**SULLIVAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Section 5705.41(D) - During 2006 and 2005, 41% and 54%, respectively, of expenditures tested were not properly certified.	No	Not Corrected. Finding repeated in Management Letter.



Mary Taylor, CPA
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
AUGUST 4, 2009**