



Dave Yost • Auditor of State

**TULLY TOWNSHIP
VAN WERT COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Tully Township
Van Wert County
P.O. Box 554
Convoy, OH 45832

To the Board of 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 Tully Township, Van Wert County, Ohio, (the Township) 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 opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably 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 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 the Township as of December 31, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Tully Township, Van Wert County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018, 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. 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 2, 2018

**Tully Township
Van Wert County**

**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash Receipts				
Property and Other Local Taxes	\$70,514	\$201,227		\$271,741
Licenses, Permits and Fees	200	13,700		13,900
Intergovernmental	26,803	119,023	\$7,540	153,366
Earnings on Investments	33			33
Miscellaneous	6,956	5,186	70,623	82,765
<i>Total Cash Receipts</i>	<u>104,506</u>	<u>339,136</u>	<u>78,163</u>	<u>521,805</u>
Cash Disbursements				
Current:				
General Government	21,034	5,183		26,217
Public Safety	14,792	64,000		78,792
Public Works		204,528		204,528
Health	14,798	12,549		27,347
Capital Outlay			81,005	81,005
Debt Service:				
Principal Retirement		14,918		14,918
Interest and Fiscal Charges		2,648		2,648
<i>Total Cash Disbursements</i>	<u>50,624</u>	<u>303,826</u>	<u>81,005</u>	<u>435,455</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,882</u>	<u>35,310</u>	<u>(2,842)</u>	<u>86,350</u>
Other Financing Receipts				
Transfers In		4,406		4,406
<i>Total Other Financing Receipts</i>		<u>4,406</u>		<u>4,406</u>
<i>Net Change in Fund Cash Balances</i>	53,882	39,716	(2,842)	90,756
<i>Fund Cash Balances, January 1</i>	<u>(21,796)</u>	<u>186,150</u>	<u>63,361</u>	<u>227,715</u>
Fund Cash Balances, December 31				
Restricted		117,243	60,519	177,762
Committed		108,623		108,623
Unassigned	32,086			32,086
<i>Fund Cash Balances, December 31</i>	<u>\$32,086</u>	<u>\$225,866</u>	<u>\$60,519</u>	<u>\$318,471</u>

See accompanying notes to the basic financial statements.

**Tully Township
Van Wert County**

**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2016**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts	
<i>Total Operating Cash Receipts</i>	
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	
<i>Operating Income (Loss)</i>	
Non-Operating (Disbursements)	
Transfers Out	(\$4,406)
<i>Net Change in Fund Cash Balances</i>	(4,406)
<i>Fund Cash Balances, January 1</i>	4,406
<i>Fund Cash Balances, December 31</i>	\$0

See accompanying notes to the basic financial statements.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 the Tully Township, Van Wert County, (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 contracts with the Village of Convoy to provide fire services and emergency medical services.

The Township belongs to the Ohio Township Association Risk Management Authority, a public entity risk pool, to provide property and liability insurance. Note 9 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

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03(D) permit.

C. Deposits

The Township maintains two checking accounts which are valued at cost.

D. Fund Accounting

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 fiduciary fund types which are organized on a fund type basis.

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:

1. 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.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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:

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.

Fire District Fund – This fund receives property tax money for fire and emergency medical services for Township residents.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project funds:

Joma Acres TIF Fund – This fund was established to receive payment in lieu of taxes (TIF agreement) for the construction of certain roads, repair and maintenance of those roads, and related infrastructure.

CW Farms Payne Road TIF Fund – This fund was established to receive payment in lieu of taxes (TIF agreement) for the construction of certain roads, repair and maintenance of those roads, and related infrastructure.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust funds are for the benefit of certain individuals.

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 appropriation measures and subsequent amendments. Appropriations lapse at year end.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 re-appropriated in the subsequent year. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2016
Demand deposits	\$318,471

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by a letter of credit.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,073	\$104,506	\$4,433
Special Revenue	364,683	343,542	(21,141)
Capital Projects	84,000	78,163	(5,837)
Total	\$548,756	\$526,211	(\$22,545)

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$50,624	(\$50,624)
Special Revenue	0	303,826	(303,826)
Capital Projects	0	81,005	(81,005)
Trust	0	4,406	(4,406)
Total	\$0	\$439,861	(\$439,861)

4. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for 2016.

5. 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.

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

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Equipment Obligation Bonds	\$45,958	4.55%
Total	\$45,958	

The Township issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Year ending December 31:	Equipment Obligation Bonds
2017	\$15,113
2018	15,113
2019	15,113
2020	5,123
Total	<u><u>\$50,462</u></u>

7. DEFINED BENEFIT PENSION PLANS

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

8. POST EMPLOYMENT 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. 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.) (York or Management), 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.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

9. RISK MANAGEMENT (Continued)

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.

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>8,244,140</u>
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. 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 \$4,000.

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.

2016 Contributions to OTARMA

\$9,123

After 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.

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Tully Township
Van Wert County, Ohio

**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash Receipts				
Property and Other Local Taxes	\$68,320	\$193,999		\$262,319
Licenses, Permits and Fees	196	16,850		17,046
Intergovernmental	29,107	116,910	\$3,484	149,501
Earnings on Investments	23			23
Miscellaneous	9,359	2,360	65,550	77,269
<i>Total Cash Receipts</i>	<u>107,005</u>	<u>330,119</u>	<u>69,034</u>	<u>506,158</u>
Cash Disbursements				
Current:				
General Government	70,249	5,033		75,282
Public Safety	17,575	80,001		97,576
Public Works	17,091	222,508		239,599
Health		11,087		11,087
Capital Outlay			5,290	5,290
Debt Service:				
Principal Retirement		11,972		11,972
Interest and Fiscal Charges		3,257		3,257
<i>Total Cash Disbursements</i>	<u>104,915</u>	<u>333,858</u>	<u>5,290</u>	<u>444,063</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,090</u>	<u>(3,739)</u>	<u>63,744</u>	<u>62,095</u>
<i>Fund Cash Balances, January 1</i>	<u>(23,886)</u>	<u>189,889</u>	<u>(383)</u>	<u>165,620</u>
Fund Cash Balances, December 31				
Restricted		99,440	74,300	173,740
Committed		86,710		86,710
Unassigned (Deficit)	(21,796)		(10,939)	(32,735)
<i>Fund Cash Balances, December 31</i>	<u>(\$21,796)</u>	<u>\$186,150</u>	<u>\$63,361</u>	<u>\$227,715</u>

See accompanying notes to the basic financial statements.

**Tully Township
Van Wert County**

**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2015**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments (trust funds only)	\$1
Miscellaneous	9
	10
<i>Total Operating Cash Receipts</i>	10
<i>Operating Income</i>	10
<i>Fund Cash Balances, January 1</i>	4,396
<i>Fund Cash Balances, December 31</i>	\$4,406

See accompanying notes to the basic financial statements.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 the Tully Township, Van Wert County, (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 contracts with the Village of Convoy to provide fire services and emergency medical services.

The Township belongs to the Ohio Township Association Risk Management Authority, a public entity risk pool, to provide property and liability insurance. Note 9 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

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03(D) permit.

C. Deposits

The Township maintains two checking accounts which are valued at cost.

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 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.

2. 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:

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fire Fund – This fund receives property tax money for fire and emergency medical services for Township residents.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

Blue Stream Dairy Fund – This fund was established to receive payment in lieu of taxes (TIF agreement) for the construction of certain roads, repair and maintenance of those roads, and related infrastructure.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust funds are for the benefit of certain individuals.

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 appropriation measures and subsequent amendments. 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 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 re-appropriated in the subsequent year. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2015 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015
Demand deposits	\$232,121

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by a letter of credit.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,823	\$107,005	(\$48,818)
Special Revenue	365,339	330,119	(35,220)
Capital Projects	84,000	69,034	(14,966)
Trust		10	10
Total	\$605,162	\$506,168	(\$98,994)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$104,915	(\$104,915)
Special Revenue	0	333,858	(333,858)
Capital Projects	0	5,290	(5,290)
Total	\$0	\$444,063	(\$444,063)

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

4. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for 2015.

5. 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.

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

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Equipment Obligation Bonds	\$60,875	4.55%
Total	\$60,875	

The Township issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

	Equipment Acquisition Bonds
Year ending December 31:	
2016	\$15,113
2017	15,113
2018	15,113
2019	15,113
2020	5,123
Total	\$65,575

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2016, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

8. POST EMPLOYMENT 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. 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.) (York or Management), 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, 2015, 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.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. RISK MANAGEMENT (Continued)

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, 2015.

	<u>2015</u>
Assets	\$37,313,311
Liabilities	<u>8,418,518</u>
Net Position	\$28,894,793

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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

2015 - \$8,599

After 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.

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Dave Yost • Auditor of State

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

Tully Township
Van Wert County
P.O. Box 554
Convoy, OH 45832

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Tully Township, Van Wert County, (the Township) 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 May 2, 2018 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 the 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We consider findings 2016-001, 2016-004, 2016-005, and 2016-006 to be material weaknesses.

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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-004.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

May 2, 2018

TULLY TOWNSHIP
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

Township Public Improvement Tax Increment Equivalent Fund (TIF)

<i>Finding Number</i>	2016-001
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NONCOMPLIANCE/ MATERIAL WEAKNESS

Ohio Rev. Code § 5709.75(A) states, in part, any Township that receives service payments in lieu of taxes under section 5709.74 of the Revised Code shall establish a township public improvement tax increment equivalent fund into which those payments shall be deposited.

Ohio Rev. Code § 5709.75(B) states, in part, that except as otherwise provided in division (C) or (D) of this section, money deposited in an account of the township public improvement tax increment equivalent fund shall be used by the township to pay the costs of public infrastructure improvements designated in or the housing renovations authorized by the resolution with respect to which the account is established.

The Township had ten tax increment equivalent funds (TIF's) agreements in 2015. The February 2015 TIF distribution was posted entirely to the Blue Stream Dairy TIF Fund as Other Local Taxes in the amount of \$32,774. The disbursement should have been shown in the various tax incremental funds as miscellaneous revenue. This resulted in a decrease in the Blue Stream Dairy TIF Fund by \$21,827 and an increase in the following tax incremental equivalent funds:

- Sugar Lane Dairy TIF Fund \$10,779
- Joma Acres TIF Fund 2,711
- National Power TIF Fund 1,404
- CW Farms Payne Road Fund 4,291
- CW Farms Mentzer Church Road Fund 1,386
- D&P Poultry TIF Fund 1,256

These same adjustments were also carried through to 2016 fund balances. These adjustments were made to the financial statements and to the client's records.

The failure to properly segregate TIF distributions could result in the Township spending funds for improper purposes per the establishment of the TIF fund.

The Township should review Auditor of State Bulletin 2010-003 and track TIF activity accordingly.

Official's Response:

I was instructed to use "in lieu of taxes" by my last auditor. I will make the change.

Annual Appropriation Resolution

<i>Finding Number</i>	2016-002
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NONCOMPLIANCE

Ohio Rev. Code § 5705.38(A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

Ohio Rev. Code § 5705.39 provides that no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Ohio Rev. Code § 5705.40 states, in part, that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

For the years ended December 31, 2016 and 2015, the Township did not pass an appropriation measure although appropriations were filed with the County Auditor. As a result, expenditures exceeded appropriations in all funds. In addition, the appropriations that were filed with the County auditor exceeded estimated resources in 2016 for the Fire Fund by \$643 and in 2015 for the General Fund and Fire Fund by \$67,444 and \$6,966, respectively.

Furthermore, the Board's review of budget versus actual information is a significant internal control in monitoring performance of the Township and helps to identify unexpected fluctuations in the budget. The Township utilizes the Uniform Accounting Network (UAN), which has the capabilities of producing budget versus actual reports for individual funds. The Board did not review budget versus actual receipts and disbursements reports from the accounting system during 2016 and 2015.

Failure to follow applicable budgetary laws violates Ohio Revised Code and could result in budgetary information being submitted to the County that is not within the Trustee's intentions. The failure to limit appropriations to the amount of estimated resources could result in the Township incurring obligations in excess of the available resources. This situation could result in deficit spending and negative fund balances. Also, the failure to receive and approve detailed receipt and expenditure reports from the accounting system inhibits the Trustee's ability to monitor activity by source.

The Township should implement procedures to ensure that all applicable budgetary laws are followed. The Township should approve an annual appropriation measure to be filed with the county auditor for certification. Additionally, the Township should properly record appropriations and estimated receipts for all funds in the accounting system in order to produce accurate budget versus actual reports for receipts and disbursements. The Board should review budgetary information to assure that expenditures are made in accordance with the approved budget, receipts are received in accordance with the Certificate of Estimated Resources, and that overspending does not occur.

Official's Response:

Must pass resolutions for appropriations.

Negative Fund Balances

<i>Finding Number</i>	2016-003
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NONCOMPLIANCE

Ohio Rev. Code § 5705.10(I) states that money that is paid into any fund shall be used only for the purposes for which such fund is established.

A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. In 2015, the Township had the following negative fund balances:

- As of July 31, 2015, the General Fund and Sugar Lane Dairy TIF Fund had negative fund balances of \$19,724 and \$17,198, respectively.
- As of December 31, 2015, the General Fund had a negative fund balance of \$21,796 and the Blue Stream Dairy TIF Fund had a negative fund balance of \$10,939.

Procedures were not in place over correcting negative fund balances. Failure to keep positive fund balances for each fund could indicate the funds are being used for incorrect purposes.

The Township should implement procedures to monitor fund cash balances throughout the year and monitor individual funds to verify that resources are used for allowable purposes and charged to appropriate funds.

Official's Response:

We will discuss implementing a procedure and take care of this.

Payroll Allocation

<i>Finding Number</i>	2016-004
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NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Rev. Code § 505.24(D) provides, in part, that by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Ohio Rev. Code § 507.09(E) provides, in part, that a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

In 2015, we noted that payroll certifications did not accurately reflect the Trustee's activity in each month. Also, the Fiscal Officers during 2015 did not have payroll certifications, however, a portion of their salaries came out of Gas Tax and Road and Bridge Funds. These errors resulted in funds due from the General Fund in the amount of \$8,686 to Special Revenue Funds as follows: \$1,994 to the Motor Vehicle License Tax Fund, \$5,436 to the Gasoline Tax Fund, \$77 to the Cemetery Fund, and \$1,179 to the Road & Bridge Fund. This error was also adjusted to 2016 beginning balances for the financials filed by the Township.

The net effect of the errors in 2016, were immaterial and therefore were not posted. However, the allocation errors noted in 2015 were material and are reflected in the audited financial statements and the client's records.

Failure to properly post monthly the Trustee's and Fiscal Officer's salaries per payroll certifications resulted in adjustments to the financial statements and could result in the improper use of funds.

The Township should implement procedures to provide that payroll is posted in the UAN system according to the allocation certified by the Trustees and the Fiscal Officer each month.

Official's Response:

Must certify paychecks for Trustees. Fiscal Officer must certify if paid from fund other than the General Fund.

Financial Reporting

<i>Finding Number</i>	2016-005
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the Uniform Accounting Network (UAN) system and assist in the effective management and reporting of financial resources. The below errors were identified in the recording of daily financial activity:

- Windmill revenue, in the amount of \$6,320, received in 2016 was incorrectly posted as licenses, permits and fees (\$3,160) and intergovernmental revenue (\$3,160) instead of miscellaneous revenue.
- Principal and interest payments in the amount of \$5,972 and \$1,598, respectively, due on December 1, 2015 were incorrectly posted as public works disbursements in the Motor Vehicle License Tax (MVLT) and Gasoline Tax funds.
- Principal and interest payments in the amount of \$14,918 and \$2,648, respectively, due on June 1st and December 1st, 2016, were incorrectly recorded as public works expenditures in the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge funds.
- Health Department payment in 2016 in the amount of \$14,798 that should have been posted as Health expenditures was improperly recorded as Public Safety expenditures in the General fund.
- Health Department payment in 2015 in the amount of \$17,091 was not recorded as an expenditure in the General fund.

- In 2015, the Township misclassified local government monies in the General fund as miscellaneous instead of intergovernmental, in the amount of \$10,614.
- In 2016, auto registration fees were improperly posted to the Permissive Motor Vehicle License Tax fund as property and other local taxes, but should have been posted to the Motor Vehicle License Tax fund as intergovernmental. They also recorded some permissive auto registration receipts in the Motor Vehicle License Tax fund, rather than the Permissive MVLT fund. This resulted in a net effect of an increase to Motor Vehicle License Tax fund intergovernmental receipts in the amount of \$4,348 and a decrease in the Permissive MVLT fund property and other local taxes for the same amount.
- In 2015, revenue in the amount of \$9 was posted the Private Purpose Trust funds as interest; however, no documentation was maintained for this revenue and therefore, was reclassified as miscellaneous revenue.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.168-1800.179) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 also establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The following errors were noted as a result of the Township not properly implementing GASB Statement No 54:

- In 2016 and 2015, the Township misclassified its Road and Bridge fund balance in the amount of \$108,590 and \$86,710, respectively, as restricted instead of committed.
- In 2015, the Township misclassified its Sugar Lane Dairy fund balance in the amount of \$5,487 as unassigned instead of restricted.
- In 2015, the Township had a negative fund balance in the Blue Stream Dairy fund, and therefore the balance should have been classified as unassigned in the amount of (\$10,939).

The accompanying financial statements and the Township's records have been adjusted accordingly. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$450 to \$5,536 that we have brought to the Township's attention.

The failure to correctly classify financial activity in the UAN system and financial statements may impact the user's understanding of the financial operations, the Township's ability to make sound financial decisions, the Township's ability to comply with budgetary laws, and may result in material misstatement to the financial statements.

The Township should review the Ohio Township Handbook - Appendix IV, Auditor of State Bulletins and other resources available for guidance in an effort to correctly classify financial activity.

Official's Response:

Will review the handbook.

Bank Reconciliations

<i>Finding Number</i>	2016-006
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MATERIAL WEAKNESS

The Township completed bank to book reconciliations for each month during 2016 and 2015 on the UAN accounting system. The Township's monthly bank reconciliations from the period of August 2015 through December 2016 contained reconciling items that were listed as outstanding receipts and payments in order to reconcile each month that were erroneously included causing the reconciled bank balances as of December 31 of each year to be overstated by \$20,170 in 2016 and \$18,149 in 2015. Majority of the variances noted were due to not properly recording the health department deduction from the August 2015 property tax settlement in the amount of \$17,091. These items resulted in inaccurate bank reconciliations and financial information (i.e. UAN reports) provided to the Board of Trustees.

Also, the amounts per the financial statements are less than the revised reconciled bank balances. The total cash balances as reported on the financial statements did not agree to the reconciled bank balances by \$937 in 2016 and \$368 in 2015.

Failure to properly record and reconcile all transactions in the UAN system in a timely manner could lead to errors in the bank reconciliation, inaccurate information being presented to the Board, and inaccurate financial reporting. Failure to identify, investigate, and correct reconciling errors could also lead to errors and irregularities occurring and not being detected in a timely manner.

The Township should implement procedures to verify that monthly bank reconciliations are prepared timely and correctly with little to no undocumented adjusting factors. Additionally, financial transactions should be entered into the Township's accounting system accurately and timely and the Board of Trustee members should review and sign the bank reconciliation each month as verification that there are no errors.

Official's Response:

Will implement procedure.

**TULLY TOWNSHIP
VAN WERT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Properly tracking and accounting for Township Public Improvement Tax Increment Equivalent Fund (TIF)	Not Fully Corrected	See Finding 2016-001
2014-002	Overpayment of Vacation Hours – Finding for Recovery Repaid Under Audit	Corrected	Manual amended.
2014-003	Classification of Financial Activity	Not Corrected	See Finding 2016-005
2014-004	Errors in the Bank Reconciliation	Not Corrected	See Finding 2016-006

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TULLY TOWNSHIP

VAN WERT 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
SEPTEMBER 4, 2018**