



OHIO AUDITOR OF STATE  
**KEITH FABER**



TULLY TOWNSHIP  
VAN WERT COUNTY

DECEMBER 31, 2018 AND 2017

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Tully Township  
Van Wert County  
P.O. Box 554  
Convoy, Ohio 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, 2018 and 2017.

### ***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 such 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, 2018 and 2017, 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 the Tully Township, Van Wert County as of December 31, 2018 and 2017, 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 January 22, 2020, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 22, 2020

**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, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$74,599	\$203,400	\$0	\$277,999
Licenses, Permits and Fees	150	17,366		17,516
Intergovernmental	21,763	114,466	7,290	143,519
Earnings on Investments	62			62
Miscellaneous	8,359	4,557	80,392	93,308
<i>Total Cash Receipts</i>	<u>104,933</u>	<u>339,789</u>	<u>87,682</u>	<u>532,404</u>
<b>Cash Disbursements</b>				
Current:				
General Government	107,218	5,253		112,471
Public Safety	31,914	55,550		87,464
Public Works		233,840		233,840
Health		19,560		19,560
Capital Outlay			69,293	69,293
Debt Service:				
Principal Retirement		29,874		29,874
Interest and Fiscal Charges		1,241		1,241
<i>Total Cash Disbursements</i>	<u>139,132</u>	<u>345,318</u>	<u>69,293</u>	<u>553,743</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,199)</u>	<u>(5,529)</u>	<u>18,389</u>	<u>(21,339)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(34,199)</u>	<u>(5,529)</u>	<u>18,389</u>	<u>(21,339)</u>
<i>Fund Cash Balances, January 1</i>	<u>48,606</u>	<u>151,694</u>	<u>37,479</u>	<u>237,779</u>
<b>Fund Cash Balances, December 31</b>				
Restricted				
Committed	-	112,685	55,868	168,553
Unassigned (Deficit)	-	33,480	-	33,480
<i>Fund Cash Balances, December 31</i>	<u>14,407</u>	<u>-</u>	<u>-</u>	<u>14,407</u>
	<u>\$14,407</u>	<u>\$146,165</u>	<u>\$55,868</u>	<u>\$216,440</u>
<i>See accompanying notes to the financial statements</i>				

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**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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 8 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.

**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, 2018  
(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.

**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.

Joma Acres – 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.

**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.

A summary of 2018 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:

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**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:

	<u>2018</u>
Demand Deposits	\$216,440

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	Budgeted Receipts	Actual Receipts	Variance
General	\$102,860	\$104,933	\$2,073
Special Revenue	304,490	339,789	35,299
Capital Projects	81,500	87,682	6,182
Totals	\$488,850	\$532,404	\$43,554

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,860	\$139,132	(\$36,272)
Special Revenue	302,019	345,318	(43,299)
Capital Projects	81,500	69,293	12,207
Totals	\$486,379	\$553,743	(\$67,364)

Contrary to Ohio law, budgetary expenditures exceed appropriation authority for General and Special Revenue funds for the year ended 2018.

**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.

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

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Obligation Bonds	\$537	4.55%

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:

Year Ending December 31:	<u>General Obligation debt</u>
2019	\$537
Total	<u>\$537</u>

**6. 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 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

**7. POSTEMPLOYMENT BENEFITS**

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

**8. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

TULLY TOWNSHIP  
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)

8. RISK MANAGEMENT (Continued)

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**TULLY TOWNSHIP, VAN WERT COUNTY**

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)  
For the Year Ended December 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$74,504	\$209,307	\$0	\$283,811
Licenses, Permits and Fees	557	19,900		20,457
Intergovernmental	23,795	118,945	7,676	150,416
Earnings on Investments	38			38
Miscellaneous	11,953	36,023	74,054	122,030
<i>Total Cash Receipts</i>	<u>110,847</u>	<u>384,175</u>	<u>81,730</u>	<u>576,752</u>
<b>Cash Disbursements</b>				
Current:				
General Government	64,327	5,334		69,661
Public Safety	30,000	55,000		85,000
Public Works		294,925		294,925
Health		21,558		21,558
Capital Outlay		65,332	104,770	170,102
Debt Service:				
Principal Retirement		14,393		14,393
Interest and Fiscal Charges		1,805		1,805
<i>Total Cash Disbursements</i>	<u>94,327</u>	<u>458,347</u>	<u>104,770</u>	<u>657,444</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>16,520</u>	<u>(74,172)</u>	<u>(23,040)</u>	<u>(80,692)</u>
<i>Net Change in Fund Cash Balances</i>	<u>16,520</u>	<u>(74,172)</u>	<u>(23,040)</u>	<u>(80,692)</u>
<i>Fund Cash Balances, January 1</i>	<u>32,086</u>	<u>225,866</u>	<u>60,519</u>	<u>318,471</u>
<b>Fund Cash Balances, December 31</b> Restricted				
Committed		99,601	37,479	137,080
Unassigned (Deficit)		52,093		52,093
<i>Fund Cash Balances, December 31</i>	<u>48,606</u>	<u>-</u>		<u>48,606</u>
	<u>\$48,606</u>	<u>\$151,694</u>	<u>\$37,479</u>	<u>\$237,779</u>
<i>See accompanying notes to the financial statements</i>				

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**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 8 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.

**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.

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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.

Sugar Lane Dairy – 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.

**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.

A summary of 2017 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:

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**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:

	<u>2017</u>
Demand Deposits	\$237,779

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,200	\$110,847	\$7,647
Special Revenue	358,249	384,175	25,926
Capital Projects	<u>81,500</u>	<u>81,730</u>	<u>230</u>
Totals	\$542,949	\$576,752	\$33,803

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$94,327	\$94,327
Special Revenue	0	458,347	458,347
Capital Projects	<u>0</u>	<u>104,770</u>	<u>104,770</u>
Totals	\$0	\$657,444	(\$657,444)

Contrary to Ohio law, budgetary expenditures exceed appropriation authority for General, Special Revenue, and Capital Project Funds for the year ended 2017.

**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.

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

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Obligation Bonds	\$30,410	4.55%

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:

Year Ending December 31:	<u>General Obligation debt</u>
2018	\$15,113
2019	\$15,113
2020	<u>\$ 5,123</u>
Total	<u>\$35,349</u>

**6. 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 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**7. POSTEMPLOYMENT BENEFITS**

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

**8. 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, 2017  
(Continued)**

**8. 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, 2017, 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, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

<b>2017 Contributions to OTARMA</b>
\$9,237

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.

# OHIO AUDITOR OF STATE KEITH FABER



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## 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, Ohio 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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated January 22, 2020, 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider findings 2018-001 through 2018-003 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2018-001.

***Township's Responses to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 22, 2020



**TULLY TOWNSHIP  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

NONCOMPLIANCE AND MATERIAL WEAKNESS

**Annual Appropriation and Amendment Resolutions**

**Ohio Rev. Code §5705.38(A)** requires, 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 §5705.40** 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)** states that no subdivision or taxing unit may make an expenditure of money unless it has been appropriated.

For the years ended December 31, 2018 and 2017, the Township meeting minutes did not have documentation that the Board of Trustees passed an annual appropriation measure or any amendments during the audit period but temporary appropriations were noted as being passed for 2018. It was also noted that appropriation information for both years was filed with the County Auditor but there was no indication on the documents filed with the County of Board of Trustees' approval. As a result, expenditures exceeded appropriations in all funds for both years.

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. Budgetary information was entered into the UAN system. The Board did not review budget versus actual receipts and disbursements reports from the accounting system during 2018 and 2017.

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 Board'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 Board'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 and maintain documentation of the approval including documenting approval in the Township minutes. Additionally, the Township should ensure the proper recording of 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.

**FINDING NUMBER 2018-001  
(Continued)**

**Official's Response:**

We will pass appropriate resolutions for appropriations at the beginning of the year.

**FINDING NUMBER 2018-002**

**MATERIAL WEAKNESS**

**Bank Reconciliations**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees is responsible for reviewing the reconciliations and related support.

The Township completed bank to book reconciliations for each month during 2018 and 2017 on the UAN accounting system. The Township's monthly bank reconciliations from the period of January 1, 2017 through December 31, 2018 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 \$16,150 in 2018 and \$16,149 in 2017. The majority of these variances noted were due to not properly recording the health department deduction from August 2015 property tax settlement in the amount of \$17,091 and not properly removing these items as noted during the Township's prior audit results. 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 adjusted financial statements were 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 \$941 in 2018 and \$942 in 2017.

Finally, there were long outstanding checks still being included on the outstanding check list. If a check is older than 6 months, the Township should follow up on the check and either void and re-issue or place the money in an unclaimed fund. These amounted to \$895 as of December 31, 2018.

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. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

**FINDING NUMBER 2018-002  
(Continued)**

The Township should implement procedures to verify that monthly bank reconciliations are prepared timely and correctly with little to no undocumented adjusting factors. Variances should be investigated, documented and corrected. 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 including the related support (such as reconciling items) each month as verification that there are no errors.

**Official's Response:**

This has been an ongoing issue since I took this job. I have been working to get this matter cleaned up.

**FINDING NUMBER 2018-003**

MATERIAL WEAKNESS

**Financial Reporting**

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:

- Principal and interest payments in the amounts of \$11,259 and \$1,241 respectively, were incorrectly posted as public works disbursements in the amount of \$12,500 in the Motor Vehicle License Tax, Gas Tax, and Road and Bridge funds for 2018.
- Principal and interest payments in the amounts of \$14,393 and \$1,805 respectively, were incorrectly posted as public works disbursements in the amount of \$16,198 in the Motor Vehicle License Tax, Gas Tax, and Road and Bridge funds for 2017.
- Property tax receipts for the Fire District fund were improperly posted as intergovernmental revenue instead of property tax receipts for the amount of \$22,503 for 2018.
- Permissive Motor Vehicle License Tax fund receipts in the amount of \$1,950 were posted as property taxes instead of intergovernmental in 2017 and \$2,365 in 2018.
- In 2018, the Road and Bridge fund had an adjustment of \$17,091 to decrease the beginning fund balance due to a previous audit adjustment made that was incorrectly adjusted again.
- In 2017, the General fund had a beginning fund balance adjustment carried forward from the prior audit in the amount of \$25,777.
- In 2017, several special revenue funds had fund balance adjustments carried forward from the prior audit. The Motor Vehicle License Tax, Gasoline Tax, Cemetery, and Road and Bridge funds in the amounts of \$1,994, \$5,436, \$77, and \$1,179, respectively, had adjustments to beginning fund balance.

**FINDING NUMBER 2018-003  
(Continued)**

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.168-1800.179) - *Fund Balance Reporting and Governmental Fund Type Definitions* 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. GASB Statement No, 54 paragraph 10 (GASB Codification 1800.170, indicates, in part, 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 should be reported as committed fund balance. The following errors were noted as a result of the Township not properly implementing GASB Statement No 54:

- In 2018 and 2017, the Township misclassified its Road and Bridge fund balance in the amount of \$33,480 and \$52,093, respectively, as restricted instead of committed since constraints were imposed by the Board of Trustees.

The accompanying financial statements and the Township's records have been adjusted accordingly. In addition to the adjustments/reclassifications listed above, we also identified additional misstatements ranging from \$368 to \$8,828 for 2018 and \$368 to \$4,942 for 2017 that we have brought to the Township's attention. These were not adjusted on the financial statements.

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:**

I misunderstood the adjustment for the last audit. I have placed a call to UAN to fix the issue.

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Ohio Rec Code 5709.75(A0) (B)	Corrected	All funds were adjusted to correct accounts
2016-002	Annual Appropriation Resolution	Partially Corrected	See Finding 2018-001
2016-003	Ohio Rev. Code 5705.10	Corrected	Funds built up in account and have not had a negative balance. Need procedure for future
2016-004	Ohio Rev Code 505.24	Corrected	Certification signed every month
2016-005	Financial Reporting	Not Corrected	See Finding 2018-003
2016-006	Bank Reconciliations	Not Corrected	See Finding 2018-002

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
MARCH 19, 2020**