



Dave Yost • Auditor of State



**TULLY TOWNSHIP  
VAN WERT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Tully Township  
Van Wert County  
PO Box 554  
Convoy, Ohio 45832

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Tully Township, Van Wert County, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***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 opinion.

### ***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, 2014 and 2013, or 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 combined cash balances of Tully Township, Van Wert County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, the Township had a negative balance in the General Fund of \$23,886 and \$12,276 as of December 31, 2014 and 2013, respectively. Note 8 describes Management's plan regarding this matter. This matter does not affect our opinion on these financial statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2015, 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

July 7, 2015

**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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$63,678	\$170,017		\$233,695
Licenses, Permits and Fees	75	11,250		11,325
Intergovernmental	29,671	117,966	\$40,721	188,358
Earnings on Investments	24			24
Miscellaneous	6,880			6,880
Payments in Lieu of Taxes			63,445	63,445
Total Cash Receipts	<u>100,328</u>	<u>299,233</u>	<u>104,166</u>	<u>503,727</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	93,666	5,299		98,965
Public Safety	18,272	32,946		51,218
Public Works		188,709		188,709
Health		15,186		15,186
Capital Outlay			107,715	107,715
<b>Debt Service:</b>				
Principal Retirement		11,409		11,409
Interest and Fiscal Charges		3,714		3,714
Total Cash Disbursements	<u>111,938</u>	<u>257,263</u>	<u>107,715</u>	<u>476,916</u>
Excess of Receipts Over (Under) Disbursements	<u>(11,610)</u>	<u>41,970</u>	<u>(3,549)</u>	<u>26,811</u>
<b>Other Financing Receipts (Disbursements):</b>				
Other Financing Sources		590		590
Total Other Financing Receipts (Disbursements)		<u>590</u>		<u>590</u>
Net Change in Fund Cash Balances	(11,610)	42,560	(3,549)	27,401
Fund Cash Balances, January 1	<u>(12,276)</u>	<u>147,329</u>	<u>3,166</u>	<u>138,219</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		145,397	(383)	145,014
Committed		44,492		44,492
Unassigned (Deficit)	<u>(23,886)</u>			<u>(23,886)</u>
Fund Cash Balances, December 31	<u><u>(\$23,886)</u></u>	<u><u>\$189,889</u></u>	<u><u>(\$383)</u></u>	<u><u>\$165,620</u></u>

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

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, 2014

	<u>Fiduciary Fund Types</u>
	<u>Private Purpose Trust</u>
<b>Operating Cash Receipts</b>	
Total Operating Cash Receipts	<hr/>
<b>Operating Cash Disbursements</b>	
Total Operating Cash Disbursements	<hr/>
Net Change in Fund Cash Balances	
Fund Cash Balances, January 1	<hr/> 4,397
Fund Cash Balances, December 31	<hr/> <hr/> \$4,397

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

**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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$32,167	\$76,222		\$108,389
Licenses, Permits and Fees	250	18,650		18,900
Intergovernmental	19,926	118,335	\$6,332	144,593
Earnings on Investments	21	7		28
Miscellaneous	2,097			2,097
Payments in Lieu of Taxes			59,983	59,983
Total Cash Receipts	<u>54,461</u>	<u>213,214</u>	<u>66,315</u>	<u>333,990</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	76,272	2,396		78,668
Public Safety	17,379	32,792		50,171
Public Works		146,071		146,071
Health		18,924		18,924
Capital Outlay		69	75,335	75,404
<b>Debt Service:</b>				
Principal Retirement		10,907		10,907
Interest and Fiscal Charges		4,215		4,215
Total Cash Disbursements	<u>93,651</u>	<u>215,374</u>	<u>75,335</u>	<u>384,360</u>
Excess of Receipts Over (Under) Disbursements	<u>(39,190)</u>	<u>(2,160)</u>	<u>(9,020)</u>	<u>(50,370)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Other Financing Sources		263		263
Refund of Prior Year Receipts	<u>(24,951)</u>			<u>(24,951)</u>
Total Other Financing Receipts (Disbursements)	<u>(24,951)</u>	<u>263</u>		<u>(24,688)</u>
Net Change in Fund Cash Balances	(64,141)	(1,897)	(9,020)	(75,058)
Fund Cash Balances, January 1	<u>51,865</u>	<u>149,226</u>	<u>12,186</u>	<u>213,277</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		124,107	3,166	127,273
Committed		23,222		23,222
Unassigned (Deficit)	<u>(12,276)</u>			<u>(12,276)</u>
Fund Cash Balances, December 31	<u>(\$12,276)</u>	<u>\$147,329</u>	<u>\$3,166</u>	<u>\$138,219</u>

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

**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, 2013**

	<b>Fiduciary Fund Types</b>
	<b>Private Purpose Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments (trust funds only)	\$1
Total Operating Cash Receipts	1
 <b>Operating Cash Disbursements</b>	
Total Operating Cash Disbursements	
 Net Change in Fund Cash Balances	1
 Fund Cash Balances, January 1	4,396
 Fund Cash Balances, December 31	\$4,397

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

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 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 and emergency medical services.

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 and Investments**

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

**D. Fund Accounting**

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

**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:

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

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

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**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:

**Issue II Fund** - The Township received a grant from the Ohio Public Works Commission for road maintenance and repair.

**Blue Stream Dairy Fund** – This fund was established to receive payment in lieu of taxes (TIF agreements) 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 agreements) 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. 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 non-expendable trust funds for which amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

**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.

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**3. Encumbrances**

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

A summary of 2014 and 2013 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. Non-spendable**

The Township classifies assets as *non-spendable* 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, 2014 AND 2013  
(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:

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$170,017</u>	<u>\$142,616</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

<b>2014 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$170,068	\$100,328	(\$69,740)
Special Revenue	366,266	299,823	(66,443)
Capital Projects	66,410	104,166	37,756
Fiduciary			
Total	\$602,744	\$504,317	(\$98,427)

<b>2014 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$190,685	\$111,938	\$78,747
Special Revenue	321,829	257,263	64,566
Capital Projects	75,876	107,715	(31,839)
Fiduciary			
Total	\$588,390	\$476,916	\$111,474

<b>2013 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$115,160	\$54,461	(\$60,699)
Special Revenue	248,846	213,477	(35,369)
Capital Projects	65,455	66,315	860
Fiduciary		1	1
Total	\$429,461	\$334,254	(\$95,207)

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2013 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$175,662	\$118,602	\$57,060
Special Revenue	268,889	215,374	53,515
Capital Projects	75,335	75,335	
Fiduciary			
Total	\$519,886	\$409,311	\$110,575

**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.

**5. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Equipment Acquisition Bonds	\$72,809	4.55%

The Township issued equipment acquisition bonds to finance the purchase of a new dump truck with a snow plow and salt spreader for Township road maintenance.

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

<b>Year ending December 31:</b>	<b>Equipment Acquisition Bonds</b>
2015	\$15,113
2016	15,113
2017	15,113
2018	15,113
2019	15,113
2020	7,556
Total	\$83,121

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of 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.

**A. 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, 2014, 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.

**B. 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, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	<u>\$26,467,923</u>	<u>\$27,057,831</u>

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 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, 2014, 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.

<b>Contributions to OTARMA</b>	
<b>2014</b>	<b>2013</b>
<u>\$8,348</u>	<u>\$8,534</u>

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.

**8. DEFICIT FUND BALANCES**

The Township is experiencing financial difficulties. During the period, the General Fund had significant negative fund balances. At December 31, 2013 and 2014, the balance was (\$12,276) and (\$23,886) respectively.

The new Fiscal Officer and the Board of Trustees have held meetings to discuss potential ways to address the Township's financial difficulties. The Township has cut or eliminated some expenses that contributed to the negative balances. The Township has also adjusted the fund allocations for Fiscal Officer's payroll too.

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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  
PO 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 Tully Township, Van Wert County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report there on dated July 7, 2015 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. Additionally, as discussed in Note 8 to the financial statements, the Township had a negative balance in the General Fund of \$23,886 and \$12,276 as of December 31, 2014 and 2013, respectively.

### ***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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2014-001, 2014-003 and 2014-004 described in the accompanying schedule of findings 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 2014-001 and 2014-002.

***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

July 7, 2015

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**Township Public Improvement Tax Increment Equivalent Fund (TIF) – Noncompliance/Material Weakness**

**Ohio Rev. Code § 5709.75(A)** states 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.

**Section 5709.75(B)** states 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 has ten tax increment equivalent funds (TIF's) agreements in 2013 and 2014. The TIF's were posted in the Permanent Improvement Fund. The Township has four subaccounts in the Permanent Improvement Fund that were 0000 – other local taxes, 1000 – other local taxes AEP, 1001 – other local taxes Dairies, and 1002 – other local taxes Hog Farms. The Township should have separate TIF funds for each improvement designated in the Permanent Improvement Fund, and thus the Township should have an additional six TIF funds to track revenues collected and expenditure improvements made against each common TIF agreement to assure that the money is all being expensed on the proper road in the proper area. The following fund adjustments were made to the financial statements and the client's records as follows. (\* indicates new fund established):

<u>Fund</u>	<u>December 31, 2013 Balance as Reported</u>	<u>Adjustment</u>	<u>December 31, 2013 Audited Balance</u>
Blue Stream Dairy TIF Fund (Permanent Improvement Fund)	\$3,166	(\$18,214)	(\$15,048)
*Joma Acres (Sekel) TIF Fund		\$1,251	\$1,251
*Sugar Lane Dairy TIF Fund		(\$464)	(\$464)
*National Power TIF Fund		\$2,992	\$2,992
*CW Farms TIF Fund (Payne Rd)		\$7,565	\$7,565
*CW Farms TIF Fund (Mentzer Church Rd)		\$3,604	\$3,604
*D&P Poultry TIF Fund		\$3,266	\$3,266

<u>Fund</u>	<u>December 31, 2014 Balance from above</u>	<u>Adjustment</u>	<u>December 31, 2014 Audited Balance</u>
Blue Stream Dairy TIF Fund (Permanent Improvement Fund)	(\$15,048)	(\$10,094)	(\$25,142)
*Joma Acres (Sekel) TIF Fund	\$1,251	\$7,211	\$8,462
*Sugar Lane Dairy TIF Fund	(\$464)	(\$16,734)	(\$17,198)
*National Power TIF Fund	\$2,992	\$2,855	\$5,847
*CW Farms TIF Fund (Payne Rd)	\$7,565	\$10,375	\$17,940
*CW Farms TIF Fund (Mentzer Church Rd)	\$3,604	\$3,351	\$6,955
*D&P Poultry TIF Fund	\$3,266	\$3,036	\$6,302

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

**Official's Response:** Will keep TIF funds separate and track.

**FINDING NUMBER 2014-002**

**Alan Beard Overpayment of Vacation Hours – Finding for Recovery - Repaid Under Audit/Noncompliance**

**Tully Township Personnel Policies & Procedures Manual** adopted February 21, 2005 per section 7.1.9 Sick Leave indicates that employees receive sick days each year and those must be used during the calendar year in which they are given. Section 7.1.8 Vacation Leave states vacation time is “automatic 3 weeks unless changed by the Board of Trustees.” The Manual indicates that employees must use all vacation time during the calendar year. No vacation time may be carried over into the next calendar year.

**Written Duties of Road Superintendent # 3** for Tully Township approved by the Board at the January 7, 2013 Board meeting states the road superintendent #3 is to receive 15 sick days which may accumulate.

The January 7, 2013 and January 9, 2014 board minutes include the following regarding the road superintendent: “Vacation: 3 weeks which are not accumulative if not used by the end of the year. Sick days: 15 days accumulative per year, that is 4.6 per pay period/ work week.

The Township maintained sick leave balances in the UAN system for the road superintendent. The road superintendent should have accrued 120 hours each year; however, the UAN system indicated 112.43 sick leave hours were earned in 2013 and 107.79 hours earned in 2014. The UAN system reflected an ending sick leave balance at December 31, 2014 of 348.99 hours, which should have been 368.77 hours if the proper accumulation would have been used.

Vacation hours earned and used were not tracked by the fiscal officer. The road superintendent earned 120 vacation hours each year on his anniversary hire date of August 20<sup>th</sup> and if vacation hours are remaining at the end of the anniversary year they are lost. Per signed timesheets, the road superintendent used 224 vacation hours between the dates of August 20, 2013 and August 19, 2014. This resulted in the road superintendent receiving an extra 104 vacation hours of vacation pay during the year. The approved hourly wage of the road superintendent was \$18.85 in 2014, resulting in overpayment amount of \$1,960. The overpayment is public money illegally expended under Ohio Rev. Code § 117.28.

The Township should update the **Tully Township Personnel Policies & Procedures Manual** adopted February 21, 2005 to reflect the changes approved in the minutes. The UAN system should be used to track all leave balances with the amounts earned and used to prevent an an overpayment from occurring in the future.

Upon notification of the error by the Auditor of State’s office, the Township notified the employee and he repaid the Township \$1,960 with check #1551 dated May 19, 2015 per receipt #44-2015 dated May 20, 2015 to the Gasoline Tax Fund.

**Official’s Response:** Will review Personnel Policies and Procedures and make changes.

**FINDING NUMBER 2014-003**

**Classification of Financial Activity- Material Weakness**

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:

**FINDING NUMBER 2014-003**  
**(Continued)**

- Adjustments were made to the beginning fund balances for 2013 and 2014 to agree to the prior audited ending balances. The following adjustments were made: General Fund decrease of \$57,966; Motor Vehicle License Tax increase of \$22,471; Gasoline Tax increase of \$27,967; Cemetery was increase of \$7,528.
- Tax Incremental Financing (TIF) monies collected and distributed by the county auditor were posted as Property & Other Local Taxes in the Blue Stream Dairy Fund (Permanent Improvement Fund) instead of Payments in Lieu of Taxes and Intergovernmental Revenue as required. In 2013 the incorrectly posted amounts were \$59,983 and \$6,332, respectively and incorrectly posted amounts in 2014 were \$63,445 and \$7,388, respectively.
- \$6,163 of alternative energy monies from the windmill project was received in 2014 and posted to the Blue Stream Dairy Fund (Permanent Improvement Fund) as Property and Other Local Taxes. These monies are not associated with the TIF projects and should have been posted to the General Fund as Miscellaneous Revenue.
- During 2014, the Township received \$33,333 in on behalf of grant money that was paid directly to the vendor by the Ohio Public Works Commission. The corresponding revenues and expenditures were not posted to the Township's accounting records and should have been posted as Intergovernmental Revenue and Capital Outlay expenditures in the OPWC Fund.
- During 2014, \$20 in Principal Retirement payments was misclassified as Public Works expenditure within the Gasoline Tax Fund.
- During 2014, the Township received \$22,823 from AEP to reimburse the Township for road damage fixed by the Shelley Company. The money was posted as Miscellaneous Revenue in the General Fund; however, it should have been posted as a reduction of an expenditure in the General Fund since the reimbursement was received within the same year.
- In 2014, check #5697 (recorded as #5696 in the UAN system) was voided and replaced with check #5701 for \$2,002; however, check #5697 was not voided in the UAN system. Therefore an adjustment to remove the voided check was required. The following amounts were added back to the UAN system: \$490 to line item Capital Outlay Expenditure in the Blue Stream Dairy (Permanent Improvement Fund) - and \$1,512 to the line item Public Works Expenditures in the Motor Vehicle License Tax Fund.
- Homestead and rollback fees for the August 2014 Tax Settlement in the amount of \$478 recorded in the General Fund, were not properly allocated to the Road & Bridge (\$344) and Fire Funds (\$134) as required.
- 2014 Estate Tax was posted to the General Fund at net rather than gross resulting in \$1,298 in an understatement of revenues and \$1,328 in understatement of expenditures (variance was due to the net amount being overstated by \$30 when posted).
- During 2013, estate taxes of \$24,951 were incorrectly posted as a General Government expense, instead of a Refund of Prior Year Receipt within the General Fund.

The accompanying financial statements and the township's records have been adjusted to correctly classify the mis-postings identified above.

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 receipts, expenditures, and fund balances.

**Official's Response:** Will review Ohio Township Handbook.

## FINDING NUMBER 2014-004

### Bank Reconciliations – Material Weakness

Bank reconciliations are prepared to provide evidence that financial activity has been agreed between the Township's accounting system and bank accounts. As part of this process, all reconciling items should be identified and included as part of the reconciliation.

As of December 31, 2014, the Township's bank to book reconciliation signed by the Trustees, included a plug number as a reconciling item. Due to this fact, the Township's bank reconciliation did not actually balance at December 31, 2014.

During the audit, the fiscal officer re-reconciled the 2014 bank to book reconciliation and as of December 31, 2014, the following reconciling items were noted:

- An electronic payment to ODJFS for \$52.98 was processed by the bank in April 2014 that was not posted in the UAN system.
- Check #5688 for \$1,141.08 dated 5/18/14 was cashed by the bank for \$1,141.98 resulting in variance of \$.90.
- Interest earned in December 2014 of \$1.05 was not posted to the UAN system.
- Service Fees charged by the bank in December 2014 of \$.46 was not posted to the UAN system.
- Deposits in the amount of \$625 on December 5, 2014 and \$350 on December 15, 2014 made by the Township were not posted to the UAN system.
- Check #5695 for \$14.88 was listed as an outstanding check when the payment had been voided in the UAN system in June 2014.
- Check #5697 for \$2,001.46 was voided in June 2014; however, the check was posted in the UAN system as check #5696 and it was listed as cleared. The fiscal officer re-issued the voided check as check #5701 and it also cleared in the UAN system, so the invoice was double booked. The financial statements were adjusted for this error.
- Check #5942 for \$1,218.16 was listed as an outstanding check when the payment had been processed by the bank in December 2014 as an electronic fund transfer (EFT).
- Two deposits of \$650 each were posted to the UAN system with receipt #38-2014 and #39-2014 respectively in June 2014; however, only \$1,000 was deposited in the bank on 6/12/14 resulting in a variance of \$300.
- An EFT deposit from Van Wert County for \$9,114.26 was posted in the UAN system as \$9,144.26 resulting in a \$30 variance.

The above reconciling items occurred due to not timely posting receipts and expenditures to the UAN system and incorrect posting amounts to the UAN system. The failure to reconcile bank to book increases the risk that errors and/or irregularities may not be detected in a timely manner as was the result in 2014.

The Township should reconcile their bank records to their accounting records in a timely manner each month with the Trustee's reviewing and signing off on the reconciling items that are noted on the bank reconciliation so that errors and/or irregularities are kept to a minimum.

**Official's Response:** Will reconcile bank to book timely.

**TULLY TOWNSHIP  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 and 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Rev. Code 5705.36(A)(4) – Appropriations exceeded Estimated Resources	Yes	
2012-002	Ohio Rev. Code 505.24(c) – Allocation of Trustee's Salary	Partially Corrected	Repeated in the Management Letter

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# Dave Yost • Auditor of State

**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  
AUGUST 18, 2015**