

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011



Dave Yost • Auditor of State

Board of Trustees
Tully Township
P.O. Box 554
Convoy, Ohio 45832

We have reviewed the *Independent Auditor's Report* of Tully Township, Van Wert County, prepared by E.S. Evans and Company, for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Tully Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 12, 2013

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TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants

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October 15, 2013

INDEPENDENT AUDITOR'S REPORT

Tully Township
Van Wert County, Ohio

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, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 Principlesⁱ

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position thereof for the year 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, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during 2011 the Tully Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, 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.



TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES

For the Year Ended December 31, 2012

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<u>Cash Receipts:</u>				
Local Taxes	\$ 32,497	\$ 76,972	\$ 58,975	\$ 168,444
Licenses, Permits, and Fees	250	13,850	-	14,100
Intergovernmental Revenues	153,852	116,171	-	270,023
Interest Revenues	18	5	-	23
Miscellaneous	231	2,605	-	2,836
Total Cash Receipts	186,848	209,603	58,975	455,426
<u>Cash Disbursements:</u>				
Current -				
General Government	166,113	2,721	-	168,834
Public Safety	16,839	31,279	-	48,118
Public Works	-	124,796	-	124,796
Health	-	15,517	-	15,517
Capital Outlay	-	232	85,000	85,232
Debt Service:				
Redemption of Principal	-	10,427	-	10,427
Interest and Other Fiscal Charges	-	4,700	-	4,700
Total Cash Disbursements	182,952	189,672	85,000	457,624
Excess of Receipts Over/(Under) Disbursements	3,896	19,931	(26,025)	(2,198)
Other Financing Receipts:				
Other Financing Sources	-	173	-	173
Net Change in Fund Cash Balances	3,896	20,104	(26,025)	(2,025)
Fund Cash Balances - January 1, 2012	47,969	129,121	38,211	215,301
Fund Cash Balances - December 31, 2012:				
Restricted	-	149,225	12,186	161,411
Unassigned	51,865	-	-	51,865
Fund Cash Balances - December 31, 2012	\$ 51,865	\$ 149,225	\$ 12,186	\$ 213,276

The accompanying notes are an integral part of these financial statements.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE -
FIDUCIARY FUND TYPE

For the Year Ended December 31, 2012

	<u>Fiduciary</u> <u>Fund Types</u> Private <u>Purpose Trust</u>
<u>Non-Operating Cash Receipts:</u>	
Earnings on Investments	\$ <u>1</u>
Total Non-Operating Cash Receipts	<u>1</u>
<u>Fund Cash Balance</u> - January 1, 2012	<u>4,395</u>
<u>Fund Cash Balance</u> - December 31, 2012	\$ <u><u>4,396</u></u>

The accompanying notes are an integral part of these financial statements.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES

For the Year Ended December 31, 2011

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<u>Cash Receipts:</u>				
Local Taxes	\$ 30,453	\$ 66,152	\$ 50,573	\$ 147,178
Licenses, Permits, and Fees	295	18,130	-	18,425
Intergovernmental Revenues	59,940	110,757	-	170,697
Interest Revenues	21	6	-	27
Miscellaneous	5,024	-	-	5,024
Total Cash Receipts	95,733	195,045	50,573	341,351
<u>Cash Disbursements:</u>				
Current -				
General Government	90,018	2,131	-	92,149
Public Safety	16,645	29,766	-	46,411
Public Works	-	114,761	-	114,761
Health	-	14,032	-	14,032
Capital Outlay	-	248	54,639	54,887
Debt Service:				
Redemption of Principal	-	8,901	-	8,901
Interest and Other Fiscal Charges	-	5,235	-	5,235
Total Cash Disbursements	106,663	175,074	54,639	336,376
Excess of Receipts Over/(Under) Disbursements	(10,930)	19,971	(4,066)	4,975
Other Financing Receipts:				
Other Financing Sources	-	318	-	318
Net Change in Fund Cash Balances	(10,930)	20,289	(4,066)	5,293
Fund Cash Balances - January 1, 2011	58,899	108,832	42,277	210,008
Fund Cash Balances - December 31, 2011:				
Restricted	-	129,121	38,211	167,332
Unassigned	47,969	-	-	47,969
Fund Cash Balances - December 31, 2011	\$ 47,969	\$ 129,121	\$ 38,211	\$ 215,301

The accompanying notes are an integral part of these financial statements.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE -
FIDUCIARY FUND TYPE

For the Year Ended December 31, 2011

	<u>Fiduciary Fund Types</u>
	<u>Private Purpose Trust</u>
<u>Non-Operating Cash Receipts:</u>	
Earnings on Investments	\$ <u>3</u>
Total Non-Operating Cash Receipts	<u>3</u>
<u>Fund Cash Balance</u> - January 1, 2011	<u>4,392</u>
<u>Fund Cash Balance</u> - December 31, 2011	<u>\$ <u>4,395</u></u>

The accompanying notes are an integral part of these financial statements.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies

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 political and corporate body. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, 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 the financial statements present all activities for which the Township is financially accountable.

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Deposits and Investments

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

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:

General Fund

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

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds

The Special Revenue Funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. 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 to pay for constructing, maintaining, and repairing Township roads and bridges.

Motor Vehicle License Fund – This fund receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

Cemetery Fund – This fund receives money from the sale of plots and the opening and closing of graves to be used for the general upkeep of the cemetery.

Fire District Fund – This fund receives property and local tax money to pay for fire service contracts for the Township.

Capital Project Funds

The Capital Project Funds are used to account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Permanent Improvement 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.

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.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies – (continued)

Fund Accounting - (continued)

Fiduciary Funds – (continued)

The Township's private purpose trust funds are held for the benefit of certain individuals. The Township had the following significant fiduciary funds:

Cemetery Bequest Fund – This fund was established to account for donations and investment earnings to be used for grave upkeep as specified by the donor.

Budgetary Process

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

Estimated Resources

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

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

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.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund 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.

Note 2 – Equity in Pooled Deposits and Investments

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

	<u>2012</u>		<u>2011</u>
Demand Deposits	\$ 217,672	\$	219,696
Total Deposits	<u>\$ 217,672</u>	<u>\$</u>	<u>219,696</u>

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

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 185,298	\$ 186,848	\$ 1,550
Special Revenue	218,103	209,776	(8,327)
Capital Projects	52,000	58,975	6,975
Private-Purpose Trust	-	1	1
	<u>\$ 455,401</u>	<u>\$ 455,600</u>	<u>\$ 199</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 200,110	\$ 182,952	\$ 17,158
Special Revenue	265,346	189,672	75,674
Capital Projects	85,000	85,000	-
	<u>\$ 550,456</u>	<u>\$ 457,624</u>	<u>\$ 92,832</u>

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 144,617	\$ 95,733	\$ (48,884)
Special Revenue	221,007	195,363	(25,644)
Capital Projects	35,798	50,573	14,775
Private-Purpose Trust	-	3	3
	<u>\$ 401,422</u>	<u>\$ 341,672</u>	<u>\$ (59,750)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 123,670	\$ 106,663	\$ 17,007
Special Revenue	287,909	175,074	112,835
Capital Projects	68,000	54,639	13,361
	<u>\$ 479,579</u>	<u>\$ 336,376</u>	<u>\$ 143,203</u>

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 3 – Budgetary Activity – (continued)

Contrary to Ohio law, appropriations exceeded available resources in the Gasoline Tax Fund by \$5,867 in 2011; in the Permissive Motor Vehicle License Fund by \$315 in 2012; and in the Cemetery Fund by \$1,421 in 2011.

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 payment is due December 31. The second half payment is due the following June 20.

Note 5 – Debt

Debt Outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Acquisition Bonds	\$ <u>95,125</u>	4.55 %
	\$ <u><u>95,125</u></u>	

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.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 5 – Debt – (continued)

Amortization of the above debt, including interest of \$18,222, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Equipment Acquisition Bonds</u>
2013	\$ 15,113
2014	15,113
2015	15,113
2016	15,113
2017	15,113
2018-2020	<u>37,782</u>
TOTAL	<u>\$ 113,347</u>

Note 6 – Retirement Systems

Ohio Public Employees Retirement System (OPERS)

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10 percent of their gross salary. The Township contributed an amount equal to 14 percent of participants' gross salaries. The Township has paid all required contributions through December 31, 2012.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 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. OTARMA is also a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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 township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and net position at December 31, 2012 and 2011:

	2012		2011
Assets	\$ 34,771,270	\$	35,086,165
Liabilities	(9,355,082)		(9,718,792)
Net Position	\$ 25,416,188	\$	25,367,373

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 7 - Risk Management – (continued)

At December 31, 2012 and 2011, respectively, liabilities noted above include approximately \$8.7 million and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 million and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

The Townships contributions to OTARMA for the past two years are as follows:

Township Contributions to <u>OTARMA</u>	
2012	\$8,105
2011	7,961

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 became the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 8 - Compliance

Contrary to Ohio Revised Code §505.24(C), the Township did not properly certify the Trustee salaries allocated to various funds.

Note 9 – Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

Note 10 – Subsequent Events

Subsequent events were evaluated through October 15, 2013, which is the date the financial statements were available to be issued. Nothing material was noted to be disclosed.

Note 11 – Prior Year Correction

At December 31, 2010, the footnotes to the audited financial statements reflected the principal balance of a bank loan to be \$9,261. However, an additional \$5,400 payment was made on December 31, 2010 and erroneously classified in the prior audited financial statements as Public Works Expense. Thus, the actual balance of the bank loan on December 31, 2010 should have been \$3,861. This was fully paid off during 2011.

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October 15, 2013

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

Tully Township
Van Wert County, Ohio

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, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 15, 2013, wherein we noted the Township followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-203 as described in Note 1.

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. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a significant deficiency.

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 2012-001 and 2012-002.

Entity'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 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.

A handwritten signature in red ink, appearing to read "E. J. ... and ...".

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2012 and 2011

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

Finding Number 2012 – 001– Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 5705.36(A)(4) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The amounts by which appropriations exceed available resources are as follows:

Fund Type/Fund	2012	2011
Special Revenue Funds:		
Permissive Motor Vehicle License Fund	\$ 315	\$ -
Gasoline Tax Fund	-	5,867
Cemetery Fund	-	1,421

Actual receipts should be compared to budgeted receipts on a periodic basis to monitor for significant variances. Amended certificates should be requested from the County Budget Commission when it becomes apparent that actual receipts are going to be significantly less than estimated receipts, and the deficiency in receipts will fall below the appropriation level for the fund. This analysis should also encompass a comparison of appropriations versus available resources after amendment.

TOWNSHIP RESPONSE – We will closely monitor this and correct it in the future.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2012 and 2011

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

Finding Number 2012 – 002 – Noncompliance Citation and Material Weakness

Ohio Revised Code Section 505.24(C) sets forth the method by which Township Trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036.

By summary, Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Revised Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement.

However, for salaries not paid from the general fund, effective October 19, 2004, OAG Opinion 20047-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees' document all time spent on township business and the type of service performed, in a manner similar to trustees' paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, the trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (the sole exception to this is for trustees charging all salaries to the general fund, as described above). There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

Effective September 29, 2011, House Bill 153 modified Ohio Revised Code Section 505.24(C) to require by a unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly installments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Trustees must complete a certification prior to receiving his pay for that period that includes a statement detailing the percentage of time that the trustee spent during that pay period providing services related to each fund to be charged.

We found no certifications were done in 2011 or 2012 and thus an adjustment was made to reflect all Trustee salaries from the general fund in 2011 and 2012 as follows:

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2012 and 2011

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

Finding Number 2012 – 002 – Noncompliance Citation and Material Weakness – (continued)

2012 Adjustment

Fund	Trustee's Pay	Adjustment Recorded		After Adjustment
General Fund	\$ 3,751.65	\$ 23,260.23	From MVL, Gas & Cemetery Funds	\$ 27,011.88
Motor Vehicle License Fund	\$ 6,376.50	\$ (6,376.50)	To General Fund	\$ -
Gasoline Tax Fund	\$ 13,505.94	\$ (13,505.94)	To General Fund	\$ -
Cemetery Fund	\$ 3,377.79	\$ (3,377.79)	To General Fund	\$ -

2011 Adjustment

Fund	Trustee's Pay	Adjustment Recorded		After Adjustment
General Fund	\$ 6,801.08	\$ 18,668.84	From MVL, Gas & Cemetery Funds	\$ 25,469.92
Motor Vehicle License Fund	\$ 8,056.34	\$ (8,056.34)	To General Fund	\$ -
Gasoline Tax Fund	\$ 8,348.50	\$ (8,348.50)	To General Fund	\$ -
Cemetery Fund	\$ 2,264.00	\$ (2,264.00)	To General Fund	\$ -

TOWNSHIP RESPONSE – We will correct this in the future.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2012 and 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	ORC 5705.36(A)(4) - Certificate of estimated resources compared to actual receipts.	No	Comment Repeated as 2012-001
2010-002	ORC 5705.41(B) - Expenditures exceeding appropriations.	Yes	
2010-003	ORC 5705.39 - Appropriations exceeding estimated resources.	Yes	
2010-004	OPWC On-behalf of Grant	Yes	
2010-005	ORC 5705.10(H) Negative Fund Balance	Yes	
2010-006	Recording Debt Issuance and Purchase of Capital Asset	Yes	



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
DECEMBER 24, 2013**