

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA

Auditor of State

Board of Trustees
Tully Township
P.O. Box 254
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, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 12, 2009

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TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

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Steven D. Hooker, CPA • John E. Klay, CPA

August 31, 2009

INDEPENDENT AUDITOR'S REPORT

Tully Township
Van Wert County, Ohio

We have audited the accompanying financial statements of Tully Township, Van Wert County, (the Township) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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

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, 2008

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>				
Local Taxes	\$ 28,635	\$ 58,552	\$ 56,453	\$ 143,640
Licenses, Permits, and Fees	400	23,005	-	23,405
Intergovernmental Revenues	109,525	119,723	-	229,248
Interest Revenues	1,752	917	-	2,669
Miscellaneous	352	30	-	382
Total Cash Receipts	<u>140,664</u>	<u>202,227</u>	<u>56,453</u>	<u>399,344</u>
<u>Cash Disbursements:</u>				
Current -				
General Government	115,488	1,683	-	117,171
Public Safety	15,379	25,225	-	40,604
Public Works	-	136,462	-	136,462
Health	-	11,412	-	11,412
Capital Outlay	-	226	60,500	60,726
Debt Service:				
Redemption of Principal	-	18,861	-	18,861
Interest and Other Fiscal Charges	-	3,410	-	3,410
Total Cash Disbursements	<u>130,867</u>	<u>197,279</u>	<u>60,500</u>	<u>388,646</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	9,797	4,948	(4,047)	10,698
Other Financing Receipts/(Disbursements):				
Other Financing Sources	-	3,878	-	3,878
Total Financing Sources Over/(Under)				
Financing Uses	-	3,878	-	3,878
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash				
Disbursements and Other Financing Uses	9,797	8,826	(4,047)	14,576
Fund Cash Balance - January 1, 2008	894	93,125	8,904	102,923
<u>Fund Cash Balance - December 31, 2008</u>	<u>\$ 10,691</u>	<u>\$ 101,951</u>	<u>\$ 4,857</u>	<u>\$ 117,499</u>

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, 2008

	<u>Fiduciary</u> <u>Fund Types</u>
	Private Purpose Trust
	<u> </u>
<u>Non-Operating Cash Receipts:</u>	
Earnings on Investments	\$ 62
Total Non-Operating Cash Receipts	<u> 62</u>
<u>Fund Cash Balance</u> - January 1, 2008	<u> 4,320</u>
<u>Fund Cash Balance</u> - December 31, 2008	<u><u> 4,382</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, 2007

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>				
Local Taxes	\$ 28,276	\$ 57,585	\$ 54,373	\$ 140,234
Licenses, Permits, and Fees	310	6,545	-	6,855
Intergovernmental Revenues	43,079	117,358	-	160,437
Interest Revenues	2,462	1,556	-	4,018
Miscellaneous	163	17,175	-	17,338
Total Cash Receipts	<u>74,290</u>	<u>200,219</u>	<u>54,373</u>	<u>328,882</u>
<u>Cash Disbursements:</u>				
Current -				
General Government	59,981	1,408	-	61,389
Public Safety	14,913	23,710	-	38,623
Public Works	-	132,245	-	132,245
Health	-	18,506	-	18,506
Capital Outlay	-	72,906	58,881	131,787
Debt Service:				
Redemption of Principal	-	24,352	-	24,352
Interest and Other Fiscal Charges	-	2,468	-	2,468
Total Cash Disbursements	<u>74,894</u>	<u>275,595</u>	<u>58,881</u>	<u>409,370</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	(604)	(75,376)	(4,508)	(80,488)
Other Financing Receipts/(Disbursements):				
Proceeds from Loan	-	71,153	-	71,153
Other Financing Sources	-	210	-	210
Total Financing Sources Over/(Under)				
Financing Uses	-	71,363	-	71,363
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(604)	(4,013)	(4,508)	(9,125)
Fund Cash Balance - January 1, 2007	1,498	97,138	13,412	112,048
<u>Fund Cash Balance - December 31, 2007</u>	<u>\$ 894</u>	<u>\$ 93,125</u>	<u>\$ 8,904</u>	<u>\$ 102,923</u>

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, 2007

	<u>Fiduciary Fund Types</u>
	<u>Private Purpose Trust</u>
<u>Non-Operating Cash Receipts:</u>	
Earnings on Investments	\$ 48
Total Non-Operating Cash Receipts	<u>48</u>
<u>Fund Cash Balance - January 1, 2007</u>	<u>4,272</u>
<u>Fund Cash Balance - December 31, 2007</u>	<u>\$ 4,320</u>

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

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 prescribed or permitted by the Auditor of State. This basis is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

Cash 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, 2008 and 2007

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.

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.

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 as a non-expendable trust fund – Principal amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

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 2008 and 2007 budgetary activity appears in Note 3.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

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.

Accumulated Leave

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

Note 2 – Equity in Pooled Cash

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

	2008		2007
Demand Deposits	\$ 121,881	\$	107,243
Total Deposits	\$ 121,881	\$	107,243

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, 2008 and 2007

Note 3 – Budgetary Activity

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

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 211,317	\$ 140,664	\$ (70,653)
Special Revenue	354,155	206,105	(148,050)
Capital Projects	8,904	56,453	47,549
Private-Purpose Trust	4,219	62	(4,157)
	<u>\$ 578,595</u>	<u>\$ 403,284</u>	<u>\$ (175,311)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 146,303	\$ 130,867	\$ 15,436
Special Revenue	261,875	197,279	64,596
Capital Projects	60,500	60,500	-
	<u>\$ 468,678</u>	<u>\$ 388,646</u>	<u>\$ 80,032</u>

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 99,661	\$ 74,290	\$ (25,371)
Special Revenue	283,623	271,582	(12,041)
Capital Projects	70,137	54,373	(15,764)
Private-Purpose Trust	4,272	48	(4,224)
	<u>\$ 457,693</u>	<u>\$ 400,293</u>	<u>\$ (57,400)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 90,700	\$ 74,894	\$ 15,806
Special Revenue	248,820	275,595	(26,775)
Capital Projects	67,000	58,881	8,119
	<u>\$ 406,520</u>	<u>\$ 409,370</u>	<u>\$ (2,850)</u>

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 3 – Budgetary Activity – (continued)

Contrary to Ohio law, appropriations exceeded available resources in the General Fund by \$14,912 in 2007 and by \$4,745 in 2008; in the Road and Bridge Fund by \$4,217 in 2007; and in the Motor Vehicle License Fund by \$9,085 in 2007 and by \$2,404 in 2008. Contrary to Ohio law, expenditures exceeded appropriations in the Gas Tax Fund by \$61,312 in 2007. In addition, contrary to Ohio law, appropriations exceeded estimated resources in the Capital Projects fund in 2008 by \$51,596.

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 State pays the Township amounts equaling these deductions. The Township includes these with 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.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Township's behalf.

Note 5 – Debt

Debt Outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 24,130	4.5 %
Bank Loan	<u>38,665</u>	5.5
	\$ <u>62,795</u>	

The Township issued general obligation bonds to finance the purchase of a new dump truck for Township road maintenance.

During 2007, the Township entered into a 5 year loan with First Financial Bank. The loan proceeds were used to purchase a tractor, backhoe and dump bucket for the backhoe.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 5 – Debt – (continued)

Amortization of the above debt, including interest of \$4,724, is scheduled as follows:

Year ending December 31:	General Obligation Bonds	Bank Loan	Total
2009	\$ 6,388	\$ 16,270	\$ 22,658
2010	6,146	16,270	22,416
2011	5,905	8,135	14,040
2012	5,664	-	5,664
2013	2,741	-	2,741
TOTAL	\$ 26,844	\$ 40,675	\$ 67,519

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 2007, OPERS members contributed 9.5 percent of their gross salary. The Township contributed an amount equal to 13.85 percent of participants' gross salaries. For 2008, OPERS members contributed 10.0 percent of their gross salary. The Township contributed an amount equaling 14.0 percent of participants' gross salaries. The Township has paid all required contributions through December 31, 2008.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 7 - Risk Management

Risk Pool Membership

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

Casualty Coverage

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

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500,000,000 per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers' provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 7 - Risk Management – (continued)

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2007 and 2006:

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

At December 31, 2007 and 2006, respectively, liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$20,352. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 7 - Risk Management – (continued)

The Township's contributions to OTARMA for the past three years are as follows:

Township Contributions to <u>OTARMA</u>	
2006	\$8,100
2007	6,553
2008	6,605

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

Note 8 - Compliance

Contrary to Ohio Revised Code §505.24(C), Township Trustees' salaries were not properly allocated to funds based on time spent on matters related to services rendered. An adjustment has been posted to reflect their salaries from the General Fund on these financial statements.



E.S. Evans and Company

Certified Public Accountants

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA
Steven D. Hooker, CPA • John E. Klay, CPA

August 31, 2009

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 the financial statements of Tully Township, Van Wert County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 31, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tully Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tully Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tully Township's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2008-001, 2008-002, 2008-003, and 2008-004.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Tully Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency described above as item 2008-004 is also a material weakness.

We also noted certain internal control matters that we reported to Tully Township's management in separate letter dated August 31, 2009.

Compliance and Other Matters

As part of reasonably assuring whether Tully Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings as items 2008-001, 2008-002, 2008-003, and 2008-004.

In a separate letter to Tully Township's management dated August 31, 2009, we reported other matters related to noncompliance.

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

We intend this report solely for the information and use of management of Tully Township and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties



TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2008 and 2007

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

Finding Number 2008 – 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 of 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	2008	2007
General Fund	\$ 4,745	\$ 14,912
Special Revenue Funds:		
Road and Bridge Fund	-	4,217
Motor Vehicle License Tax Fund	2,404	9,085

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 more closely monitor this in the future.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2008 and 2007

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

Finding Number 2008 – 002 – Noncompliance Citation and Significant Deficiency

Ohio Revised Code §5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Actual expenditures exceeded approved appropriations in the following fund at December 31, 2007:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Gas Tax Fund	\$ 93,710	\$ 155,022	\$ (61,312)

The Township Clerk and Trustees should review appropriations prior to processing and approving expenditures. Expenditures should only be made for which there are sufficient appropriations. Appropriations should be increased as needed, and if necessary amend the corresponding estimated resources.

TOWNSHIP RESPONSE – We will more closely monitor this in the future.

Finding Number 2008 – 003 – Noncompliance Citation and Significant Deficiency

Ohio Revised Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceed estimated resources in the Capital Projects fund for the year ended December 31, 2008 by \$51,596.

The Township Clerk and Trustees should review appropriations prior to approving these to make sure appropriations do not exceed current estimated resources as filed with the County Auditor.

TOWNSHIP RESPONSE - We will more closely monitor this in the future.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2008 and 2007

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

Finding Number 2008 – 004 – Noncompliance Citation and Material Weakness

Ohio Revised Code §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 No. 2004-036. This Section required that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the 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(s) performed, in a manner similar to trustee paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirement of Ohio Rev. Code Section 505.24(C) were noted in the Management Letter of Tully Township for the years ending December 31, 2006 and 2005 which was released on November 27, 2007.

For 2007 and 2008, only one Trustee kept a log of how time was spent. The other two Trustees did not keep any record of how time was spent; therefore, the entire amount of salaries and benefits from November 27, 2007 through December 31, 2008 should have been paid from the General Fund.

For the period of November 27, 2007 through December 31, 2007, \$1,418 of the Trustees' salaries should have been paid out of the General Fund instead of the Motor Vehicle License Fund according to the documentation presented for audit. In addition, for the period of January 1, 2008 through December 31, 2008, \$14,622 of the Trustees' salaries should have been paid out of the General Fund instead of \$6,622 from the Motor Vehicle License Fund, \$6,113 from the Gas Tax Fund, and \$1,887 from the Cemetery Fund according to the documentation presented for audit. The Township Fiscal Officer has posted this adjustment in the Township records and therefore, this adjustment is reflected in the accompanying financial statements.

We recommend that the Township Trustees' salaries be paid in accordance with detailed documentation of how they spent their time.

TOWNSHIP RESPONSE – All Trustees will have detailed time documentation in the future.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008 and 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	ORC 5704.41(B) and ORC 5705.40 - Appropriation Measures.	Yes	No Issue II money received in 2007 or 2008.
2006-002	ORC 5704.41(D) - Failure to certify the availability of funds prior to incurring obligations.	Yes	Substantially correct for 2007 & 2008.
2006-003	ORC 5705.09(F) and ORC 5705.10(D) - Posting of receipts to proper funds.	Yes	Corrected - no comment in current year.
2006-004	ORC 5705.36(A)(4) - Certificate of estimated resources compared to actual receipts.	No	Repeated as comment 2008-001



Mary Taylor, CPA
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
NOVEMBER 5, 2009