

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

This Page is Intentionally Left Blank.



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, 2009 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 14, 2011

This page was intentionally left blank.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT -----	PAGE	1
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES – FOR THE YEAR ENDED DECEMBER 31, 2010 -----		3
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – FIDUCIARY FUND TYPE – FOR THE YEAR ENDED DECEMBER 31, 2010 -----		4
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES – FOR THE YEAR ENDED DECEMBER 31, 2009 -----		5
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – FIDUCIARY FUND TYPE – FOR THE YEAR ENDED DECEMBER 31, 2009 -----		6
NOTES TO FINANCIAL STATEMENTS -----		7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <u>GOVERNMENT AUDITING STANDARDS</u> -----		17
SCHEDULE OF FINDINGS-----		19
SCHEDULE OF PRIOR AUDIT FINDINGS -----		23

---oo0oo---

This page was intentionally left blank.



E.S. Evans and Company

Certified Public Accountants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • www.esevens.com

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 9, 2011

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, 2010 and 2009. 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 the Comptroller General of the United States' Government Auditing Standards. Those standards require that we plan and perform the audit to reasonably assure 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 9, 2011, 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 ...", is located in the lower right quadrant of the page.

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, 2010

	<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	\$ 29,568	\$ 63,888	\$ 86,094	\$ 179,550
Licenses, Permits, and Fees	240	16,110	-	16,350
Intergovernmental Revenues	108,710	119,541	53,129	281,380
Interest Revenues	13	4	-	17
Miscellaneous	50	-	-	50
Total Cash Receipts	<u>138,581</u>	<u>199,543</u>	<u>139,223</u>	<u>477,347</u>
<u>Cash Disbursements:</u>				
Current -				
General Government	48,017	1,843	-	49,860
Public Safety	15,871	28,252	-	44,123
Public Works	-	135,322	-	135,322
Health	-	18,229	-	18,229
Capital Outlay	-	110,793	104,320	215,113
Debt Service:				
Redemption of Principal	-	15,116	-	15,116
Interest and Other Fiscal Charges	-	3,754	-	3,754
Total Cash Disbursements	<u>63,888</u>	<u>313,309</u>	<u>104,320</u>	<u>481,517</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	74,693	(113,766)	34,903	(4,170)
Other Financing Receipts/(Disbursements):				
Proceeds from Bonds	-	110,593	-	110,593
Sale of Fixed Assets	-	5,400	-	5,400
Total Financing Sources Over/(Under)				
Financing Uses	-	115,993	-	115,993
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	74,693	2,227	34,903	111,823
Fund Cash Balance - January 1, 2010	(15,794)	106,605	7,374	98,185
Fund Cash Balance - December 31, 2010	<u>\$ 58,899</u>	<u>\$ 108,832</u>	<u>\$ 42,277</u>	<u>\$ 210,008</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, 2010

	<u>Fiduciary</u> <u>Fund Types</u>
	Private
	<u>Purpose Trust</u>
<u>Non-Operating Cash Receipts:</u>	
Earnings on Investments	\$ 5
Total Non-Operating Cash Receipts	<u>5</u>
<u>Fund Cash Balance</u> - January 1, 2010	<u>4,387</u>
<u>Fund Cash Balance</u> - December 31, 2010	<u>\$ 4,392</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, 2009

	<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	\$ 30,293	\$ 63,240	\$ 55,715	\$ 149,248
Licenses, Permits, and Fees	135	11,100	-	11,235
Intergovernmental Revenues	28,471	118,383	-	146,854
Interest Revenues	65	25	-	90
Miscellaneous	288	-	-	288
Total Cash Receipts	<u>59,252</u>	<u>192,748</u>	<u>55,715</u>	<u>307,715</u>
<u>Cash Disbursements:</u>				
Current -				
General Government	60,055	1,795	-	61,850
Public Safety	15,682	26,739	-	42,421
Public Works	-	112,115	-	112,115
Health	-	16,070	-	16,070
Capital Outlay	-	185	53,198	53,383
Debt Service:				
Redemption of Principal	10,000	28,418	-	38,418
Interest and Other Fiscal Charges	-	2,772	-	2,772
Total Cash Disbursements	<u>85,737</u>	<u>188,094</u>	<u>53,198</u>	<u>327,029</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	(26,485)	4,654	2,517	(19,314)
Other Financing Receipts/(Disbursements):				
Proceeds from Bonds	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Total Financing Sources Over/(Under)				
Financing Uses	-	-	-	-
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(26,485)	4,654	2,517	(19,314)
Fund Cash Balance - January 1, 2009	10,691	101,951	4,857	117,499
<u>Fund Cash Balance - December 31, 2009</u>	<u>\$ (15,794)</u>	<u>\$ 106,605</u>	<u>\$ 7,374</u>	<u>\$ 98,185</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, 2009

	<u>Fiduciary Fund Types</u>
	<u>Private Purpose Trust</u>
<u>Non-Operating Cash Receipts:</u>	
Earnings on Investments	\$ <u>5</u>
Total Non-Operating Cash Receipts	<u>5</u>
<u>Fund Cash Balance</u> - January 1, 2009	<u>4,382</u>
<u>Fund Cash Balance</u> - December 31, 2009	<u>\$ <u>4,387</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, 2010 and 2009

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, 2010 and 2009

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.

Public Works Commission Projects Fund – This fund accounts for a grant from the State of Ohio to repave roads.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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

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.

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 2010 and 2009 budgetary activity appears in Note 3.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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.

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:

	2010		2009
Demand Deposits	\$ 214,400	\$	102,572
Total Deposits	\$ 214,400	\$	102,572

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 163,240	\$ 138,581	\$ (24,659)
Special Revenue	385,995	315,536	(70,459)
Capital Projects	53,000	139,223	86,223
Private-Purpose Trust	-	5	5
	<u>\$ 602,235</u>	<u>\$ 593,345</u>	<u>\$ (8,890)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 156,723	\$ 63,888	\$ 92,835
Special Revenue	294,383	313,309	(18,926)
Capital Projects	113,000	104,320	8,680
	<u>\$ 564,106</u>	<u>\$ 481,517</u>	<u>\$ 82,589</u>

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 128,590	\$ 59,252	\$ (69,338)
Special Revenue	378,994	192,748	(186,246)
Capital Projects	-	55,715	55,715
Private-Purpose Trust	4,382	5	(4,377)
	<u>\$ 511,966</u>	<u>\$ 307,720</u>	<u>\$ (204,246)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 125,659	\$ 85,737	\$ 39,922
Special Revenue	265,747	188,094	77,653
Capital Projects	54,200	53,198	1,002
	<u>\$ 445,606</u>	<u>\$ 327,029</u>	<u>\$ 118,577</u>

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 3 – Budgetary Activity – (continued)

Contrary to Ohio law, appropriations exceeded available resources in the General Fund by \$64,909 in 2009 and by \$17,247 in 2010; in the Motor Vehicle License Fund by \$11,692 in 2009; in the Permissive Motor Vehicle License Fund by \$905 in 2009; in the Cemetery Fund by \$1,068 in 2010; and in the Permissive Motor Vehicle License Fund by \$2,780 in 2010. Contrary to Ohio law, expenditures exceeded appropriations in the Gas Tax Fund by \$86,736 in 2010. In addition, contrary to Ohio law, appropriations exceeded estimated resources in the Capital Projects fund by \$54,200 in 2009 and by \$60,000 in 2010.

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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Acquisition Bonds	\$ 110,593	4.55 %
Bank Loan	38,665	5.50
	<u>\$ 149,258</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.

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, 2010 and 2009

Note 5 – Debt – (continued)

Amortization of the above debt, including interest of \$28,447, is scheduled as follows:

Year ending December 31:	Equipment Acquisition Bonds	Bank Loan	Total
2011	\$ 10,072	\$ 9,770	\$ 19,842
2012	15,113	-	15,113
2013	15,113	-	15,113
2014	15,113	-	15,113
2015	15,113	-	15,113
2016-2020	68,007	-	68,007
TOTAL	\$ 138,531	\$ 9,770	\$ 148,301

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 2010 and 2009, 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, 2010.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 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 retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>		<u>2008</u>
Assets	\$ 38,983,088	\$	40,737,740
Liabilities	(12,880,766)		(12,981,818)
Retained Earnings	\$ 26,102,322	\$	27,755,922

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 7 - Risk Management – (continued)

At December 31, 2009 and 2008, respectively, liabilities noted above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

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

Township Contributions to <u>OTARMA</u>	
2008	\$6,605
2009	5,810
2010	6,932

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, 2010 and 2009

Note 8 - Compliance

Contrary to Ohio Revised Code §5705.10(H), the General Fund had a negative cash balance of \$15,794 at December 31, 2009.



E.S. Evans and Company

Certified Public Accountants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • www.esevens.com

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 9, 2011

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, 2010 and 2009, and have issued our report thereon dated August 9, 2011, 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 the Comptroller General of the United States' Government Auditing Standards.

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 opinion on the financial statements, but not for the purpose of opining on the effectiveness of Tully Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of Tully Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2010-001 through 2010-006 to be significant deficiencies. 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 charges with governance

We also noted certain internal control matters that we reported to Tully Township's management in separate letter dated August 9, 2011.

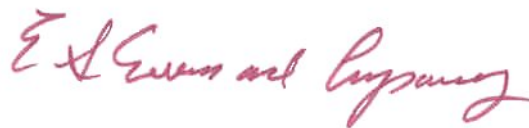
Compliance and Other Matters

As part of reasonably assuring whether Tully 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, 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 we must report under Government Auditing Standards which are described in the accompanying schedule of findings as item 2010-001, 2010-002, 2010-003, and 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 9, 2011.

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.

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, 2010 and 2009

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

Finding Number 2010 – 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	2010	2009
General Fund	\$ 17,247	\$ 64,909
Special Revenue Funds:		
Permissive Motor Vehicle License Fund	2,780	905
Motor Vehicle License Tax Fund	-	11,692
Cemetery Fund	1,068	-

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 – At the end of the year, the Township will review and make the necessary adjustments.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2010 and 2009

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

Finding Number 2010 – 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, 2010:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Gas Tax Fund	\$ 128,330	\$ 215,066	\$ (86,736)

The Township Fiscal Officer 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 – At the end of the year, the Township will review and make the necessary adjustments.

Finding Number 2010 – 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, 2010 by \$60,000 and by \$54,200 for the year ended December 31, 2009.

The Township Fiscal Officer 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 – At the end of the year, the Township will review and make the necessary adjustments.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2010 and 2009

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

Finding Number 2010 – 004 – Internal Control Significant Deficiency

In 2010 the Township was the beneficiary of a \$53,129 OPWC grant through the County Auditor. This activity was not recorded on the ledgers of the Township. Since the County paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities.

We recommend the Township record all benefits received from state or federal grants as a memo receipt and expenditure at the time acquired and expended on the Township's ledgers. In addition, Township management should review Auditor of State Bulletins 2000-008 and 2002-004.

TOWNSHIP RESPONSE – The Township will review the requirements and correct this in the future.

Finding Number 2010 – 005 – Noncompliance Citation and Significant Deficiency

Ohio Revised Code §5705.10(H) provides in part that money from one fund is not to be used to cover expenses of another fund.

At December 31, 2009, the General Fund had a negative fund balance of \$15,794.

The Township Fiscal Officer and Trustees should review fund receipts and disbursements, as well as budgets periodically to ensure that funds are not expended below available resources and into a negative position.

TOWNSHIP RESPONSE – The Township will review and make necessary adjustments to prevent this from happening in the future.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2010 and 2009

Finding Number 2010 – 006 – Internal Control Significant Deficiency

The Township should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements to assist in the effective management and reporting of financial resources. The Township issued \$110,593 in Equipment Acquisition Bonds to acquire a new dump truck, snow blade and salt spreader. This amount was not recorded on the books of the Township as proceeds from bonds, nor was the capital outlay expenditure in the same amount recorded.

We recommend the Township record all receipts and expenditures on the financial books of the Township. The audited financial statements reflect these amounts.

TOWNSHIP RESPONSE – The Township will review the requirements, make the necessary adjustments, and properly handle this in the future.

TULLY TOWNSHIP
VAN WERT COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2010 and 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	ORC 5705.36(A)(4) - Certificate of estimated resources compared to actual receipts.	No	Repeated as Comment 2010-001
2008-002	ORC 5705.41(B) - Expenditures exceeding appropriations.	No	Repeated as Comment 2010-002
2008-003	ORC 5705.39 - Appropriations exceeding estimated resources.	No	Repeated as Comment 2010-003
2008-004	ORC 505.24(C) - Township Trustee compensation allocation.	Yes	Substantially corrected - current year management letter comment

This Page is Intentionally Left Blank.



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
NOVEMBER 10, 2011