



**TULLY TOWNSHIP
MARION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA
Auditor of State

**TULLY TOWNSHIP
MARION COUNTY**

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MARION COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tully Township
Marion County
4217 Lyons Road
Caledonia, Ohio 43314

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tully Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tully Township, Marion County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Gasoline Tax Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 10, 2008

**TULLY TOWNSHIP
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007 AND 2006
UNAUDITED**

This discussion and analysis of the Tully Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2007, and December 31, 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

HIGHLIGHTS

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$27,260, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax Fund.

The Township's general receipts are primarily property taxes. These receipts represent 28% percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 changed very little compared to 2006 as development within the Township has slowed.

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$29,096, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax Fund.

The Township's general receipts are primarily property taxes. These receipts represent 31% percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 changed very little compared to 2005 as development within the Township has slowed.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**TULLY TOWNSHIP
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE TOWNSHIP AS A WHOLE

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Township has governmental activities only. The Township's basic services are reported in governmental activities. Property taxes and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the funds of the Township are governmental funds.

The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2007 and 2006, the Township's major governmental funds are the General Fund and the Gasoline Tax Fund.

THE TOWNSHIP AS A WHOLE

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 and 2006 compared to 2005 on a cash basis:

**TULLY TOWNSHIP
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

(Table 1)

Net Assets			
	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$326,293.35	\$ 299,033.37	\$ 269,937.00
Total Assets	\$326,293.35	\$299,033.37	\$ 269,937.00
Net Assets			
Restricted for:			
Other Purposes	140,661.59	121,265.07	108,316.00
Unrestricted	185,631.76	177,768.30	161,621.00
Total Net Assets	\$326,293.35	\$ 299,033.37	\$ 269,937.00

As mentioned previously, net assets of governmental activities increased \$27,260 during 2007 and \$29,096 during 2006.

Table 2 reflects the changes in net assets on a cash basis in 2007, 2006, and 2005 for governmental activities.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 249.09	\$ 348.97	\$ 230.00
Operating Grants and Contributions	94,604.70	97,082.98	88,144.00
Total Program Receipts	94,853.79	97,431.95	88,374.00
General Receipts:			
Property Taxes	49,103.40	53,361.02	51,084.00
Grants and Entitlements Not Restricted to Specific Programs	20,572.38	12,855.05	87,150.00
Earnings on Investments	9,163.37	8,433.78	5,282.00
Miscellaneous	-	131.00	1,266.00
Total General Receipts	78,839.15	74,780.85	144,782.00
Total Receipts	173,692.94	172,212.80	233,156.00

(continued)

**TULLY TOWNSHIP
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

(Table 2)
**Changes in Net Assets
(continued)**

	Governmental Activities		
	2007	2006	2005
Disbursements:			
General Government	70,465.38	72,017.91	75,211.00
Public Works	73,528.72	66,268.68	74,456.00
Health	2,438.86	2,600.00	2,702.00
Capital Outlay	-	2,230.25	26,389.00
Total Disbursements	<u>146,432.96</u>	<u>143,116.84</u>	<u>178,758.00</u>
 Increase in Net Assets	 27,259.98	 29,095.96	 54,398.00
 Net Assets, January 1	 <u>299,033.37</u>	 <u>269,937.41</u>	 <u>215,539.00</u>
Net Assets, December 31	<u>\$ 326,293.35</u>	<u>\$ 299,033.37</u>	<u>\$ 269,937.00</u>

Program receipts represent only 55 percent and 57 percent, for 2007 and 2006 respectively, of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money and building permits.

General receipts represent 45 percent of the Township's total receipts in 2007 and 43 percent in 2006, and of these amounts, 62 percent are local taxes in 2007 and 71 percent in 2006. State and federal grants and entitlements make up the 26 percent and 17 percent of the Township's general receipts in 2007 and 2006, respectively. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustees, Fiscal Officer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to General Fund unrestricted receipts.

Public Works is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10 for 2007 and page 16 for 2006, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works, which account for 48 percent and 50 percent of all governmental disbursements, respectively for 2007 and 50 percent and 46 percent for 2006. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**TULLY TOWNSHIP
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

(Table 3)
Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	2005	2007	2006	2005
General Government	\$ 70,465.38	\$ 72,017.91	\$ 75,211.00	\$ (66,720.60)	\$ (68,457.33)	\$ (74,981.00)
Public Works	73,528.72	66,268.68	74,456.00	17,565.29	27,587.69	13,688.00
Health	2,438.86	2,600.00	2,702.00	(2,438.86)	(2,600.00)	(2,702.00)
Other	-	-	-	15.00	15.00	-
Capital Outlay	-	2,230.25	26,389.00	-	(2,230.25)	(26,389.00)
Total Expenses	\$ 146,432.96	\$ 143,116.84	\$ 178,758.00	\$ (51,579.17)	\$ (45,684.89)	\$ (90,384.00)

The dependence upon property receipts is shown in the table above as 35 percent in 2007 and 32 percent in 2006 of governmental activities are supported through these general receipts.

THE TOWNSHIP'S FUNDS

Total governmental funds had receipts of \$173,693 in 2007 and \$172,212 in 2006 and disbursements of \$146,433 in 2007 and \$143,117 in 2006.

BUDGETING HIGHLIGHTS

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General Fund and Gasoline Tax Fund. The Township spent less than budgeted amounts as demonstrated by the reported variances. The results are the increases in fund balance of \$7,863 in the General Fund and \$12,440 in the Gasoline Tax Fund, respectively for 2007 and \$16,147 and \$17,724 in 2006.

CURRENT ISSUES

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ila Moodspaugh, Fiscal Officer, Tully Township, Marion County, 4217 Lyons Road, Caledonia, Ohio 43314-9729.

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**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 326,293.35</u>
<i>Total Assets</i>	<u><u>\$ 326,293.35</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$ 140,661.59
Unrestricted	<u>185,631.76</u>
<i>Total Net Assets</i>	<u><u>\$ 326,293.35</u></u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 70,465.38	\$ 234.09	\$ 3,510.69	\$ (66,720.60)
Public Works	73,528.72	-	91,094.01	17,565.29
Health	2,438.86	-	-	(2,438.86)
Other	-	15.00	-	15.00
<i>Total Governmental Activities</i>	<u>\$ 146,432.96</u>	<u>\$ 249.09</u>	<u>\$ 94,604.70</u>	<u>\$ (51,579.17)</u>
General Receipts				
Property Taxes				\$ 49,103.40
Grants and Entitlements not Restricted to Specific Programs				20,572.38
Earnings on Investments				<u>9,163.37</u>
<i>Total General Receipts</i>				<u>78,839.15</u>
<i>Change in Net Assets</i>				27,259.98
Net Assets Beginning of Year				<u>299,033.37</u>
<i>Net Assets End of Year</i>				<u>\$ 326,293.35</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	GENERAL	GASOLINE TAX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 185,631.76	\$ 120,456.56	\$ 20,205.03	\$ 326,293.35
<i>Total Assets</i>	<u>\$ 185,631.76</u>	<u>\$ 120,456.56</u>	<u>\$ 20,205.03</u>	<u>\$ 326,293.35</u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	185,631.76	-	-	185,631.76
Special Revenue Funds	-	120,456.56	20,205.03	140,661.59
<i>Total Fund Balances</i>	<u>\$ 185,631.76</u>	<u>\$ 120,456.56</u>	<u>\$ 20,205.03</u>	<u>\$ 326,293.35</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	GENERAL	GASOLINE TAX	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts				
Property and Other Local Taxes	\$ 49,103.40	\$ -	\$ -	\$ 49,103.40
Licenses, Permits and Fees	234.09	-	-	234.09
Intergovernmental	24,083.07	83,787.21	7,306.80	115,177.08
Earnings on Investments	8,619.19	496.99	47.19	9,163.37
Miscellaneous	15.00	-	-	15.00
<i>Total Receipts</i>	<u>82,054.75</u>	<u>84,284.20</u>	<u>7,353.99</u>	<u>173,692.94</u>
Disbursements				
Current:				
General Government	69,669.38	399.00	397.00	70,465.38
Public Works	2,083.05	71,445.67	-	73,528.72
Health	2,438.86	-	-	2,438.86
<i>Total Disbursements</i>	<u>74,191.29</u>	<u>71,844.67</u>	<u>397.00</u>	<u>146,432.96</u>
<i>Net Change in Fund Balances</i>	7,863.46	12,439.53	6,956.99	27,259.98
Fund Balances Beginning of Year	<u>177,768.30</u>	<u>108,017.03</u>	<u>13,248.04</u>	<u>299,033.37</u>
<i>Fund Balances End of Year</i>	<u>\$ 185,631.76</u>	<u>\$ 120,456.56</u>	<u>\$ 20,205.03</u>	<u>\$ 326,293.35</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 54,398.36	\$ 54,398.36	\$ 49,103.40	\$ (5,294.96)
Licenses, Permits and Fees	255.00	255.00	234.09	(20.91)
Intergovernmental	17,320.96	17,320.96	24,083.07	6,762.11
Earnings on Investments	7,500.00	7,500.00	8,619.19	1,119.19
Miscellaneous	600.00	600.00	15.00	(585.00)
<i>Total receipts</i>	<u>80,074.32</u>	<u>80,074.32</u>	<u>82,054.75</u>	<u>1,980.43</u>
Disbursements				
Current:				
General Government	174,700.00	174,700.00	69,669.38	105,030.62
Public Works	51,200.00	51,200.00	2,083.05	49,116.95
Health	4,000.00	4,000.00	2,438.86	1,561.14
Capital Outlay	20,000.00	20,000.00	-	20,000.00
<i>Total Disbursements</i>	<u>249,900.00</u>	<u>249,900.00</u>	<u>74,191.29</u>	<u>175,708.71</u>
<i>Net Change in Fund Balance</i>	(169,825.68)	(169,825.68)	7,863.46	177,689.14
Fund Balance Beginning of Year	<u>177,768.30</u>	<u>177,768.30</u>	<u>177,768.30</u>	-
<i>Fund Balance End of Year</i>	<u>\$ 7,942.62</u>	<u>\$ 7,942.62</u>	<u>\$ 185,631.76</u>	<u>\$ 177,689.14</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 78,000.00	\$ 78,000.00	\$ 83,787.21	\$ 5,787.21
Earnings on Investments	500.00	500.00	496.99	(3.01)
<i>Total receipts</i>	78,500.00	78,500.00	84,284.20	5,784.20
Disbursements				
Current:				
General Government	1,200.00	1,200.00	399.00	801.00
Public Works	165,000.00	165,000.00	71,445.67	93,554.33
<i>Total Disbursements</i>	166,200.00	166,200.00	71,844.67	94,355.33
<i>Net Change in Fund Balance</i>	(87,700.00)	(87,700.00)	12,439.53	100,139.53
Fund Balance Beginning of Year	108,017.03	108,017.03	108,017.03	-
<i>Fund Balance End of Year</i>	\$ 20,317.03	\$ 20,317.03	\$ 120,456.56	\$ 100,139.53

See accompanying notes to the basic financial statements

TULLY TOWNSHIP
MARION COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 299,033.37
<i>Total Assets</i>	<u>\$ 299,033.37</u>
Net Assets	
Restricted for:	
Other Purposes	\$ 121,265.07
Unrestricted	<u>177,768.30</u>
<i>Total Net Assets</i>	<u>\$ 299,033.37</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDEED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 72,017.91	\$ 333.97	\$ 3,226.61	\$ (68,457.33)
Public Works	66,268.68	-	93,856.37	27,587.69
Health	2,600.00	-	-	(2,600.00)
Other	-	15.00	-	15.00
Capital Outlay	2,230.25	-	-	(2,230.25)
<i>Total Governmental Activities</i>	<u>\$ 143,116.84</u>	<u>\$ 348.97</u>	<u>\$ 97,082.98</u>	<u>\$ (45,684.89)</u>
General Receipts				
Property Taxes				\$ 53,361.02
Grants and Entitlements not Restricted to Specific Programs				12,855.05
Earnings on Investments				8,433.78
Miscellaneous				131.00
<i>Total General Receipts</i>				<u>74,780.85</u>
<i>Change in Net Assets</i>				29,095.96
Net Assets Beginning of Year				<u>269,937.41</u>
<i>Net Assets End of Year</i>				<u>\$ 299,033.37</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>GENERAL</u>	<u>GASOLINE TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 177,768.30</u>	<u>\$ 108,017.03</u>	<u>\$ 13,248.04</u>	<u>\$ 299,033.37</u>
<i>Total Assets</i>	<u><u>\$ 177,768.30</u></u>	<u><u>\$ 108,017.03</u></u>	<u><u>\$ 13,248.04</u></u>	<u><u>\$ 299,033.37</u></u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	177,768.30	-	-	177,768.30
Special Revenue Funds	-	108,017.03	13,248.04	121,265.07
<i>Total Fund Balances</i>	<u><u>\$ 177,768.30</u></u>	<u><u>\$ 108,017.03</u></u>	<u><u>\$ 13,248.04</u></u>	<u><u>\$ 299,033.37</u></u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GENERAL	GASOLINE TAX	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts				
Property and Other Local Taxes	\$ 53,361.02	\$ -	\$ -	\$ 53,361.02
Licenses, Permits and Fees	333.97	-	-	333.97
Intergovernmental	16,081.66	86,201.37	7,655.00	109,938.03
Earnings on Investments	7,938.84	457.24	37.70	8,433.78
Miscellaneous	146.00	-	-	146.00
<i>Total Receipts</i>	<u>77,861.49</u>	<u>86,658.61</u>	<u>7,692.70</u>	<u>172,212.80</u>
Disbursements				
Current:				
General Government	54,093.40	8,872.65	9,051.86	72,017.91
Public Works	2,790.49	60,061.79	3,416.40	66,268.68
Health	2,600.00	-	-	2,600.00
Capital Outlay	2,230.25	-	-	2,230.25
<i>Total Disbursements</i>	<u>61,714.14</u>	<u>68,934.44</u>	<u>12,468.26</u>	<u>143,116.84</u>
<i>Net Change in Fund Balances</i>	16,147.35	17,724.17	(4,775.56)	29,095.96
Fund Balances Beginning of Year	<u>161,620.95</u>	<u>90,292.86</u>	<u>18,023.60</u>	<u>269,937.41</u>
<i>Fund Balances End of Year</i>	<u>\$ 177,768.30</u>	<u>\$ 108,017.03</u>	<u>\$ 13,248.04</u>	<u>\$ 299,033.37</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 54,268.00	\$ 54,268.00	\$ 53,361.02	\$ (906.98)
Licenses, Permits and Fees	175.00	175.00	333.97	158.97
Intergovernmental	31,919.00	31,919.00	16,081.66	(15,837.34)
Earnings on Investments	4,500.00	4,500.00	7,938.84	3,438.84
Miscellaneous	1,070.00	1,070.00	146.00	(924.00)
<i>Total receipts</i>	<u>91,932.00</u>	<u>91,932.00</u>	<u>77,861.49</u>	<u>(14,070.51)</u>
Disbursements				
Current:				
General Government	160,000.00	160,000.00	54,093.40	105,906.60
Public Works	49,500.00	49,500.00	2,790.49	46,709.51
Health	3,500.00	3,500.00	2,600.00	900.00
Capital Outlay	20,000.00	20,000.00	2,230.25	17,769.75
<i>Total Disbursements</i>	<u>233,000.00</u>	<u>233,000.00</u>	<u>61,714.14</u>	<u>171,285.86</u>
<i>Net Change in Fund Balance</i>	(141,068.00)	(141,068.00)	16,147.35	157,215.35
Fund Balance Beginning of Year	<u>161,620.95</u>	<u>161,620.95</u>	<u>161,620.95</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 20,552.95</u>	<u>\$ 20,552.95</u>	<u>\$ 177,768.30</u>	<u>\$ 157,215.35</u>

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 70,000.00	\$ 70,000.00	\$ 86,201.37	\$ 16,201.37
Earnings on Investments	150.00	150.00	457.24	307.24
<i>Total receipts</i>	70,150.00	70,150.00	86,658.61	16,508.61
Disbursements				
Current:				
General Government	12,120.00	12,120.00	8,872.65	3,247.35
Public Works	128,080.00	128,080.00	60,061.79	68,018.21
<i>Total Disbursements</i>	140,200.00	140,200.00	68,934.44	71,265.56
<i>Net Change in Fund Balance</i>	(70,050.00)	(70,050.00)	17,724.17	87,774.17
Fund Balance Beginning of Year	90,292.86	90,292.86	90,292.86	-
<i>Fund Balance End of Year</i>	\$ 20,242.86	\$ 20,242.86	\$ 108,017.03	\$ 87,774.17

See accompanying notes to the basic financial statements

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 – REPORTING ENTITY

Tully Township, Marion County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with First Consolidated Fire District for fire protection. Police protection is provided by the Marion County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets presents the cash balance of governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all governmental funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2007, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2007 and 2006 were \$8,619 and \$7,939, respectively.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. The items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for constructing, maintaining, and repairing township roads and bridges and cemetery maintenance. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Gasoline Tax Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. Since encumbrances outstanding at year-end are cancelled and re-appropriated in the succeeding year, there is essentially no difference between cash and budget basis reporting.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007, \$67,268 of the Township's bank balance of \$167,268 was exposed to custodial credit risk, while at December 31, 2006, \$51,790 of the Township's bank balance of \$151,790 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

At December 31, 2007, the Township had \$163,002 invested in STAR Ohio. STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no policy dealing with credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$2.40 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$14,300,020
Public Utility Property	1,226,610
Tangible Personal Property	4,056,730
Total Assessed Values	<u>\$19,583,360</u>

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

NOTE 5 – PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

NOTE 6 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Township contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance Company	Commercial Property	\$112,000
	General Liability	1,000,000
	Vehicle	500,000
United National Insurance Company	Public Officials	1,000,000

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The members of all three plans were required to contribute 9.5 percent in 2007 and 9 percent in 2006 of their annual covered salary. The Township's contribution rate for pension benefits for 2007 and 2006 were 13.85 and 13.70 percent respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$5,312, \$5,043, and \$4,989 respectively. The full amount has been contributed for 2007, 2006, and 2005.

**TULLY TOWNSHIP
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6 percent of covered payroll was the portion that was used to fund health care from July 1 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$5,312. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



Mary Taylor, CPA

Auditor of State

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

Tully Township
Marion County
4217 Lyons Road
Caledonia, Ohio 43314

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 10, 2008, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the 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 the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies 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.

We noted a certain matter that we reported to the Township's management in a separate letter dated October 10, 2008.

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, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 10, 2008.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 10, 2008

**TULLY TOWNSHIP
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

Finding Number	2007-001
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**Material Noncompliance
Competitive Bidding**

Ohio Rev. Code § 5575.01(A) states that in the maintenance and repair of roads, the contract shall, if the amount involved exceeds forty-five thousand dollars, be let by the board to the lowest responsible bidder after advertisement for bids once, not later than two weeks, prior to the date fixed for the letting of the contract, in a newspaper published in the county and of general circulation within the township or, if no newspaper is published in the county, in a newspaper having general circulation in the township.

In 2006 and 2007, road maintenance and repair contracts were entered into by the Board with Shelley and Sands in the amounts of \$46,041 and \$49,587.

For both contracts, the Township failed to advertise for bids.

We recommend that the Board advertise road maintenance and repair projects exceeding forty-five thousand dollars at least once no later than two weeks prior to the date fixed for letting of the contracts. Furthermore, the Board shall award the contract to the lowest responsible bidder.

Officials' Response

We did not receive a response from Officials to the finding reported above.



Mary Taylor, CPA
Auditor of State

TULLY TOWNSHIP

MARION 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 25, 2008**