

TAYLOR TOWNSHIP
UNION COUNTY, OHIO

FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Taylor Township
25464 Patrick Brush Run Road
Richwood, Ohio 43344

We have reviewed the *Independent Auditors' Report* of Taylor Township, Union County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' 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 Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 506.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- A. The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.
- B. That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.
- C. That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

It is the Township's policy to reimburse up to \$6,000 in medical insurance and medical expenses.

The Township reimbursed the Fiscal Officer \$2,880 and \$2,640 for 2008 and 2007, respectively. Contrary to Ohio Rev. Code Section 505.601, these reimbursements included medical expenses unrelated to an out-of-pocket premium. The maximum Medicare premium for 2008 and 2007 for both the Fiscal Officer and their spouse was \$2,244 and \$2,314, respectively.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Pat Laird, Fiscal Officer, in the amount of \$962 and in favor of the Township's General Fund. We recommend the Township adopt a resolution in compliance with Ohio Rev. Code Section 505.601, allowing reimbursement for only those out-of-pocket premiums permitted under Ohio law.

The above finding was paid by Pat Laird on October 14, 2009, with check number 6904.

Board of Trustees
Taylor Township
25464 Patrick Brush Run Road
Richwood, Ohio 43344
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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. Taylor Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid, with the first letter of each word being capitalized and larger than the others.

Mary Taylor, CPA
Auditor of State

October 21, 2009

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Taylor Township
Union County, Ohio

For the Years Ended
December 31, 2008 and 2007

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Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Union, Ohio 43015-0352

Telephone: 740-362-9031
Fax: 740-363-7799

Independent Auditors' Report

Taylor Township
Union County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of Taylor Township, Union County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express 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. 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 of Ohio 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 presenting the Township's 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 of Ohio permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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* and should be read in conjunction with this report in considering the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

June 19, 2009

**Taylor Township
Union County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008**

	Governmental Funds				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash receipts:					
Property and other local taxes	\$ 41,530	191,668	-	-	233,198
Licenses, permits and fees	4,494	3,450	-	-	7,944
Fines and forfeitures	8,753	-	-	-	8,753
Intergovernmental	83,028	95,173	-	-	178,201
Special assessments	-	-	3,670	101	3,771
Earnings on investments	11,124	3,484	-	-	14,608
Miscellaneous	<u>12,215</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>13,215</u>
Total cash receipts	161,144	294,775	3,670	101	459,690
Cash disbursements:					
Current:					
General government	112,087	-	-	-	112,087
Public safety	34,641	160,462	-	-	195,103
Public works	-	86,583	2,869	-	89,452
Health	125	26,611	-	-	26,736
Conservation/recreation	754	-	-	-	754
Capital outlay	<u>-</u>	<u>27,215</u>	<u>-</u>	<u>-</u>	<u>27,215</u>
Total cash disbursements	<u>147,607</u>	<u>300,871</u>	<u>2,869</u>	<u>-</u>	<u>451,347</u>
Total receipts over (under) disbursements	13,537	(6,096)	801	101	8,343
Other receipts (disbursements):					
Transfers in	-	1,200	-	-	1,200
Transfers out	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,200)</u>
Total other receipts (disbursements)	<u>(1,200)</u>	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts over (under) disbursements	12,337	(4,896)	801	101	8,343
Fund cash balances, January 1	<u>212,955</u>	<u>181,977</u>	<u>6,321</u>	<u>4,208</u>	<u>405,461</u>
Fund cash balances, December 31	\$ <u>225,292</u>	<u>177,081</u>	<u>7,122</u>	<u>4,309</u>	<u>413,804</u>
Reserves for encumbrances	\$ <u>279</u>	<u>162</u>	<u>-</u>	<u>-</u>	<u>441</u>

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

**Taylor Township
Union County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2007**

	Governmental Funds				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash receipts:					
Property and other local taxes	\$ 42,038	193,723	-	-	235,761
License, permits and fees	5,998	3,400	-	-	9,398
Fines and forfeitures	8,518	-	-	-	8,518
Intergovernmental	82,126	93,989	-	-	176,115
Special assessments	-	-	3,180	-	3,180
Earnings on investments	19,406	10,957	-	203	30,566
Miscellaneous	<u>2,159</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,559</u>
Total cash receipts	160,245	302,469	3,180	203	466,097
Cash disbursements:					
Current:					
General government	119,566	-	-	-	119,566
Public safety	32,430	160,000	-	-	192,430
Public works	-	74,779	2,842	-	77,621
Health	625	18,598	-	-	19,223
Conservation/recreation	124	-	-	-	124
Other	4,252	-	-	-	4,252
Capital outlay	<u>-</u>	<u>84,701</u>	<u>-</u>	<u>-</u>	<u>84,701</u>
Total cash disbursements	<u>156,997</u>	<u>338,078</u>	<u>2,842</u>	<u>-</u>	<u>497,917</u>
Total receipts over (under) disbursements	3,248	(35,609)	338	203	(31,820)
Fund cash balances, January 1	<u>209,707</u>	<u>217,586</u>	<u>5,983</u>	<u>4,005</u>	<u>437,281</u>
Fund cash balances, December 31	\$ <u>212,955</u>	<u>181,977</u>	<u>6,321</u>	<u>4,208</u>	<u>405,461</u>
Reserves for encumbrances	\$ <u>279</u>	<u>162</u>	<u>-</u>	<u>-</u>	<u>441</u>

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

**Taylor Township
Union County, Ohio
Notes to the Financial Statements
December 31, 2008 and 2007**

(1) Summary of Significant Accounting Policies

Description of the Entity

Taylor Township, Union 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 provides road and bridge maintenance, and zoning operations. The Township contracts with Liberty Township to provide fire and emergency medical services. The Township also contracts with the Union County Sheriff's office for a public safety officer that patrols exclusively in the Township.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability 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 of Ohio.

Cash and 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 disbursements, respectively.

Certificates of deposits 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(1) Summary of Significant Accounting Policies, continued

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund – This fund receives vehicle registration tax money.

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

Special Levy Fund (Fire) – This fund receives fire levy tax money for the funding of fire and EMS services provided to the residents of the Township.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Broadway Street Lights – This fund receives special assessment taxes for street lighting.

Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, no principal, are available to support the Township's programs. The Township had the following Permanent Fund:

Woods and Thompson Trust Fund – This fund is for the perpetual care of cemetery lots designated by the Trust.

Budgetary Process

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

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.

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(1) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

(2) Equity in Pooled Cash and Investments

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 410,804	302,461
Certificate of Deposits	<u>3,000</u>	<u>103,000</u>
Total deposits and investments	\$ <u>413,804</u>	<u>405,461</u>

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

(3) Budgetary Activity

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

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(3) Budgetary Activity, continued

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 149,791	161,144	11,353
Special Revenue	346,248	295,975	(50,273)
Capital Projects	4,010	3,670	(340)
Permanent	<u>201</u>	<u>101</u>	<u>(100)</u>
Total	\$ <u>500,250</u>	<u>460,890</u>	<u>(39,360)</u>

<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 371,906	149,086	222,820
Special Revenue	520,249	301,033	219,216
Capital Projects	10,330	2,869	7,461
Permanent	<u>1,329</u>	<u>-</u>	<u>1,329</u>
Total	\$ <u>903,814</u>	<u>452,988</u>	<u>450,826</u>

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 158,860	160,245	1,385
Special Revenue	306,445	302,469	(3,976)
Capital Projects	4,030	3,180	(850)
Permanent	<u>150</u>	<u>203</u>	<u>53</u>
Total	\$ <u>469,485</u>	<u>466,097</u>	<u>(3,388)</u>

<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 368,550	157,276	211,274
Special Revenue	524,032	338,240	185,792
Capital Projects	10,013	2,842	7,171
Permanent	<u>1,154</u>	<u>-</u>	<u>1,154</u>
Total	\$ <u>903,749</u>	<u>498,358</u>	<u>405,391</u>

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(4) Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State of Ohio, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property is assessed by the property owners, who must file a list of such 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 behalf of the Township.

(5) Retirement Systems

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively of their gross salaries. The Township contributed an amount equal to 14% and 13.85%, respectively of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

(6) Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. APEEP provides supplemental risk coverage for claims exceeding OTARMA claims coverage.

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(6) Risk Management, continued

Casualty Coverage

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

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

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

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

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(6) Risk Management, continued

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

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

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

Contributions to OTARMA

2006	\$ 4,888
2007	3,948
2008	4,185

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(7) Commitments

The Township is committed to a one-year contract with Liberty Township, Union County, Ohio for fire and EMS services commencing on March 1, 2008 for \$160,462.

On June 1, 2006 the Township entered into an agreement with the Union County Commissioners to lease a portion of the Township building for use by the Union County Sheriff's Office as a substation. The terms of the contract provide for a one year lease with the option to renew for two successive one year terms. The annual rent is \$5,000.

Pursuant to a three year contract that commenced on January 1, 2006 between the Union County Sheriff and Liberty and Taylor Townships, the sheriff provides one full-time deputy with a normal work week totaling 40 hours exclusively to the Townships to supplement existing law enforcement coverage. The sheriff assumes full responsibility for hiring, training, assignment, supervision, discipline and dismissal of all assigned personnel and the Townships pay the actual cost of compensating the officers' salary, overtime, OPERS benefits, workers compensation, Medicare and medical and life insurance. The Sheriff bills the Township in quarterly installments with each Township paying 50% of the cost. The Township paid \$34,641 and \$32,430 pursuant to this contract in 2008 and 2007, respectively. The amount that will be due for 2009 is undetermined at this time.

(8) Compliance

Contrary to Ohio law:

- Funds were not encumbered for four of the forty-seven disbursements tested.
- Appropriations exceeded estimated resources for the General Fund for 2008.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Union, Ohio 43015-0352

Telephone: 740-362-9031
Fax: 740-363-7799

**Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters,
Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Taylor Township
Union County, Ohio

To the Board of Trustees:

We have audited the financial statements of Taylor Township, Union County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 19, 2009, wherein we noted the Township followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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.

We considered Findings 2008-02, 2008-03 and 2008-04 to be significant deficiencies in internal control over financial reporting as described in the accompanying schedule of findings.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we considered Findings 2008-02 and 2008-04 to be material weaknesses.

In a separate letter to Township's management dated June 19, 2009, we reported other matters involving internal controls over financial reporting we did not deem significant deficiencies.

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 such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Findings 2008-01 through 2008-05.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated June 19, 2009.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

June 19, 2009

**Taylor Township
Union County, Ohio
Schedule of Findings
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-01

Ohio Revised Code (ORC) Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the Fiscal Officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. During our testing of disbursements, we noted that funds were not encumbered prior to expenditure for four of the forty-seven disbursements tested.

Response by Township

No response received.

Finding Number 2008-02
Significant deficiency/material weakness

In 2008 and 2007 the Public Utilities Tax Replacement receipts were recorded in various accounts and should have been recorded in Intergovernmental. In addition, some rollback/homestead money was included as Local Taxes instead of Intergovernmental for 2007. In 2008 the Gasoline Tax Receipts were recorded in Property and Other Local Taxes rather than Intergovernmental. Appendix IV of the Ohio Township Handbook details the proper coding for these receipts. In order for the audited financial statements to be fairly stated, these amounts have been reclassified. Total reclassifications were \$20,071 and \$38,756 for 2008 and 2007, respectively.

For 2008 and 2007, all expenditures for the construction of the new building were charged to Public Works instead of Capital Outlay. In 2008, all disbursements to the Union County Sheriff for the public safety officer contract were classified as General Government, but should have been classified as Public Safety. In 2007 disbursement for repayment of estate tax should have been charged to Other instead of Health. Reimbursements for medical insurance premiums were charged to Special Revenue Fund – Public Works and should have been classified to General Fund – General Government. Total expenditure reclassifications made in the audited financial statements were \$78,357 and \$79,956 for 2008 and 2007, respectively.

Response by Township

No response received.

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-03
Significant deficiency

ORC Section 5705.38(A) requires the Township to pass an appropriation measure on or about the first day of each fiscal year. ORC Section 5705.38(C) requires the following minimum level of budgetary control: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount for personal services". Although the Township passed an annual appropriation measure, the Uniform Accounting Network (UAN) did not agree to the appropriated amounts for 2008. The accounting system should report appropriations, encumbrances, unencumbered cash balances and estimated receipts compared to actual results.

Having budgetary information in UAN that does not agree to the official budgetary documents limits the Township's ability to monitor budget versus actual and recognize when an amended certificate might be necessary.

Response by Township

No response received.

Finding Number 2008-04
Significant deficiency/material weakness

The Township reimburses health insurance premiums for its elected officials rather than provide a health insurance policy. The reimbursement is done pursuant to a resolution adopted at the beginning of each year.

Ohio Revised Code (ORC) Section 505.601 and Auditor of State Bulletin 96-002 state that when a Township does not provide a health insurance plan, a resolution to reimburse health insurance premiums must:

1. Specifically state that the Township has chosen not to procure a group plan and is opting to reimburse health insurance obtained elsewhere,
2. Specifically provide for a maximum reimbursement per person per month or year.

The Township's resolution does not include these requirements and it allows for medical expense reimbursement as well as medical insurance. ORC Section 505.60 (F) (2) states that "'Premium' does not include any deductible or health care costs paid directly by a township officer or employee".

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-04, continued
Significant deficiency/material weakness

The Township's payment for health insurance of the Fiscal Officer resulted in several concerns:

1. Documentation for the payment was based on a choice of plan form from the Fiscal Officer's former employer, not on a monthly invoice.
2. For 2008 and 2007 the Fiscal Officer received reimbursements of \$2,899 and \$2,635 respectively. These amounts do not agree to the choice of plan form amount.
3. The Township paid the insurance premium directly to the Fiscal Officer's former employer rather than reimbursing the official. Ohio Attorney General Opinion 2005-038 states that the word reimburse "suggests that the reimbursing party makes payment for something only after the party to be reimbursed has paid out the sum", and thus it appears that an arrangement whereby the Township directly pays these bills on behalf of the elected officials is not in accordance with the ORC 505.601 and OAG Opinion 2005-038. Furthermore, the Township's resolution states that the cost "will be reimbursed upon receipt of proof of payment."
4. The Fiscal Officer was reimbursed for Medicare premiums of \$2,880 and \$2,640 for 2008 and 2007, respectively. The maximum Medicare premiums for 2008 and 2007 were \$1,157 and \$1,122, respectively.

Response by Township

No response received.

Finding Number 2008-05

Ohio Revised Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

Appropriations of \$371,906 exceeded estimated resources of \$370,427 for the General Fund in 2008. Failure to limit appropriations to the amount of available revenue could result in overspending and negative cash fund balances.

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-05, continued

Response by Township

No response received.



Mary Taylor, CPA
Auditor of State

TAYLOR TOWNSHIP

UNION COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 5, 2009**