



Dave Yost • Auditor of State

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

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Dave Yost • Auditor of State

Taylor Creek Township
Hardin County
11694 CR 190
Kenton, Ohio 43326

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

June 13, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Taylor Creek Township
Hardin County
11694 CR 190
Kenton, Ohio 43326

To the Board of Trustees:

We have audited the accompanying financial statements of Taylor Creek Township, Hardin County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP requires 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 requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2011 and 2010 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, 2011, or its 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Taylor Creek Township, Hardin County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As described in Note 8, the Township restated the December 31, 2009 Special Revenue and Permanent Fund balances to correctly classify two funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012, 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.



Dave Yost
Auditor of State

June 13, 2012

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$24,823	\$9,246	\$34,069
Licenses, Permits and Fees	200		200
Intergovernmental	44,478	93,535	138,013
Earnings on Investments	292	932	1,224
Miscellaneous	3,632		3,632
Total Cash Receipts	<u>73,425</u>	<u>103,713</u>	<u>177,138</u>
Cash Disbursements:			
Current:			
General Government	34,860		34,860
Public Safety	1,000	4,261	5,261
Public Works		128,967	128,967
Health	4,843		4,843
Total Cash Disbursements	<u>40,703</u>	<u>133,228</u>	<u>173,931</u>
Total Receipts over Disbursements	<u>32,722</u>	<u>(29,515)</u>	<u>3,207</u>
Fund Cash Balances, January 1	<u>88,516</u>	<u>131,440</u>	<u>219,956</u>
Fund Cash Balances, December 31:			
Restricted		102,163	102,163
Unassigned (Deficit)	121,238		121,238
Fund Cash Balances, December 31	<u>\$121,238</u>	<u>\$102,163</u>	<u>\$223,401</u>

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

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$24,079	\$9,212	\$33,291
Licenses, Permits and Fees	200		200
Intergovernmental	17,393	95,803	113,196
Earnings on Investments	256	280	536
Miscellaneous	681	13,362	14,043
Total Cash Receipts	<u>42,609</u>	<u>118,657</u>	<u>161,266</u>
Cash Disbursements:			
Current:			
General Government	25,650	24	25,674
Public Safety	62	3,844	3,906
Public Works		97,896	97,896
Health	4,824		4,824
Debt Service:			
Redemption of Principal		4,905	4,905
Total Cash Disbursements	<u>30,536</u>	<u>106,669</u>	<u>137,205</u>
Total Receipts over Disbursements	12,073	11,988	24,061
Fund Cash Balances, January 1, (Restated Note 8)	<u>76,443</u>	<u>119,452</u>	<u>195,895</u>
Fund Cash Balances, December 31	<u>\$88,516</u>	<u>\$131,440</u>	<u>\$219,956</u>
Reserve for Encumbrances, December 31	<u>\$1,051</u>	<u>\$365</u>	<u>\$1,416</u>

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

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Taylor Creek Township, Hardin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Richland Township, Logan County to provide fire services. The Township is a member of BMRT Regional Ambulance District which provides emergency medical services to the Township.

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management Authority (OTARMA). Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Hardin County Regional Planning Commission which makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social economic, and government characteristics, functions, and services of the County.

B.M.R.T. Ambulance District which provides emergency medical services within the District and responds with mutual aid service to any agency requesting such services.

Public Entity Risk Pool:

(Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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

B. Accounting Basis

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

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

C. Deposits

The Township maintains a checking account, savings and a money market account which are valued at cost

D. 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:

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

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

E. Budgetary Process

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

1. 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Non-spendable

The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$159,864	\$156,704
Money Market Account	51,089	50,834
Savings Account	12,448	12,418
Total deposits	\$223,401	\$219,956

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,543	\$ 73,425	\$32,882
Special Revenue	108,339	103,713	(4,626)
Total	\$148,882	\$177,138	\$28,256

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,094	\$ 40,703	\$ 9,391
Special Revenue	161,400	133,228	28,172
Total	\$211,494	\$173,931	\$37,563

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,721	\$ 42,609	\$ 1,888
Special Revenue	100,261	118,657	18,396
Total	\$140,982	\$161,266	\$20,284

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,405	\$ 31,587	\$18,818
Special Revenue	152,265	107,034	45,231
Total	\$202,670	\$138,621	\$64,049

The Township did not prior certify all funds and did not establish the maximum amount for blanket certificates as required by Ohio Rev. Code Section 5705.41(D).

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. PROPERTY TAX

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

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

Tangible personal property tax 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). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent for 2011 and 2010, respectively. The Township has paid all contributions required through December 31, 2011.

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 Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010.

OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. RISK MANAGEMENT (Continued)

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

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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,059.

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	
2011	2010
\$4,134	\$3,488

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

7. JOINTLY GOVERNED ORGANIZATIONS

A. Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Township is represented by one member.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social economic, and government characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, at One Courthouse Square, Suite 130, Kenton, Ohio 43326

B. B.M.R.T. Ambulance District

A four-member Board of Trustees governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are McDonald Township in Hardin County, Richland Township in Logan County, Taylor Creek Township in Hardin County and the Village of Belle Center in Logan County. The District provides rescue services within the District and responds with mutual aid service to any agency requesting such services.

Operating funds for the District are provided from property taxes assessed against property owners located within the District and charges assessed for services of the District. Financial information can be obtained from Donna Canfield, Clerk, P.O. Box 564 Belle Center, Ohio 43310.

8. RESTATEMENT OF FUND BALANCES

The Township previously classified two cemetery bequests for grave upkeep as specified by the donors Permanent Funds. Since the Township cannot locate the wills that established these bequests, the funds have been reclassified to the Special Revenue Fund Type. This reclassification had the following impact on the fund type balances:

	Fund Balance at December 31, 2009	Restatement	Adjusted Fund Balance at December 31, 2009
Special Revenue	\$117,826	\$1,626	\$119,452
Permanent	\$ 1,626	(\$1,626)	\$ 0

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Dave Yost • Auditor of State

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

Taylor Creek Township
Hardin County
11694 CR 190
Kenton, Ohio 43326

To the Board of Trustees:

We have audited the financial statements of Taylor Creek Township, Hardin County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 13, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and adopted the provisions of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011. We also noted 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 Auditor of State's independence 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) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
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www.ohioauditor.gov

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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 13, 2012.

We intend this report solely for the information and use of management, and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

June 13, 2012

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Material Weakness

Accuracy of Financial Reporting

To assist in the effective management and reporting of financial resources, the Township should have procedures in place to help assure that financial activity and funds are correctly classified in the accounting records and financial statements. During 2011 and 2010 the Township had the following classification errors as the result of incorrectly classifying homestead and rollback receipts, a vendor refund, an Internal Revenue Service refund, and a debt service payment:

Fund Type	Year	Amount	Township Classification	Ohio Township Handbook Classification
General	2011	\$2,800	Property Taxes Receipts	Intergovernmental Receipts
General	2010	\$2,746	Property Taxes Receipts	Intergovernmental Receipts
Special Revenue	2010	\$13,362	Intergovernmental Receipts	Miscellaneous Revenue
Special Revenue	2010	\$4,905	Public Works Disbursements	Redemption of Principal

In addition, the Township classified its Lightner Fund, with a balance of \$1,052, and its Wilson Fund, with a balance of \$574, as Permanent Funds. The Township was unable to locate the trust agreements for these Funds. Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose fund depending on whether the income derived from the principal is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending on whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund.

The impact on the fund type balances at December 31 is as follows:

2011		2010	
Fund Type	Amount	Fund Type	Amount
Special Revenue	\$1,626	Special Revenue	\$1,626
Permanent	(1,626)	Permanent	(1,626)

**FINDING NUMBER 2011-01
(Continued)**

The failure to correctly classify financial activity and funds in the accounting records and financial statements may impact, the user's understanding of the financial operations, the Township's ability to make sound financial decisions, the Township's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Trustees. The accounting records of the Township and the accompanying financial statements have been adjusted to correct these recording errors.

The Township Fiscal Officer should utilize resources such as the Ohio Township Handbook, UAN Manual, Auditor of State Bulletin 2005-005 along with other Bulletins, to aid in correctly classifying receipts, disbursements, and funds. Periodically the Trustees should perform a review of the accounting records to help identify errors.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) requires that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision or taxing entity has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision or taxing entity.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates for an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account and not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2011-02
(Continued)**

- 3. Super Blanket certificate** – The subdivision or taxing entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 44% of the expenditures tested in 2011 and 2010, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

In addition there were four transactions that utilized "regular" purchase orders when a blanket purchase orders or "super" blanket purchase order would have been more appropriate since the obligations were for recurring expenditures. The Township also had not established by resolution or ordinance an amount for Blanket Certificates.

To improve controls over disbursements; to help reduce the possibility of the Township's funds exceeding budgetary spending limitations; and to reduce the risk of financial statement reporting errors; the Township's Fiscal Officer should certify that the funds are or will be available prior to the obligation of the Township. When prior certification is not possible, "then and now" certification should be used. In addition, the Township should follow the requirements for the use of blanket certificates and establish by resolution the amount for blanket certificates.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	Ohio Rev. Code Section 5705.39 - Appropriations shall not exceed total estimated resources	Yes	
2009-02	Ohio Rev. Code 5705.34 -Authorizing the necessary tax levies and certifying them to the County auditor before October 1	Yes	
2009-03	Ohio Rev. Code 5705.36 – certifying to the county auditor the total amount from all sources available for expenditures.	Yes	
2009-04	Ohio Rev. Code 135.03 – eligible depositories include national banks and banks defined in ORC Section 1101.01	Yes	
2009-05	Ohio Rev. Code 5705.36(A)(2) – allows subdivisions to request increased/reduced amended certificates	Yes	
2009-06	AOS Bulletin 2000-008 – proper accounting of State Issue II Grant	Yes	
2009-07	Ohio Rev. Code Section 5705.41(D)(1) – prior certification of expenditures	No	Repeated as finding 2011-02.



Dave Yost • Auditor of State

TAYLOR CREEK TOWNSHIP

HARDIN 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
JULY 31, 2012