

**Taylor Creek Township
Hardin County, Ohio
Financial Statements
December 31, 2009 and 2008**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Taylor Creek Township
18370 Township Road 113
Kenton, Ohio 43326

We have reviewed the *Independent Auditors' Report* of Taylor Creek Township, Hardin County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2008 through December 31, 2009. 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.

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 Creek Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 18, 2010

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Taylor Creek Township
Hardin County, Ohio

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Taylor Applegate Hughes

AND ASSOCIATES, LTD

CERTIFIED PUBLIC
ACCOUNTANTS +
BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Taylor Creek Township
18370 Township Road 133
Kenton, OH 43326

To the Board of Trustees:

We have audited the accompanying financial statements of Taylor Creek Township, Hardin County, Ohio, (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also to 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.

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In our opinion, because of the effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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 and reserves for encumbrances of Taylor Creek Township, Hardin County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2009 and 2008. 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 a report dated April 21, 2010, 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 opinion 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 than audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
April 21, 2010

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, 2009

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:					
Property and other local taxes	\$ 23,830	\$ 9,162	\$ -	\$ -	\$ 32,992
Licenses, permits and fees	250	-	-	-	250
Intergovernmental	96,916	95,907	23,396	-	216,219
Earnings on investments	198	189	-	-	387
Miscellaneous	977	-	-	-	977
Total Cash Receipts	122,171	105,258	23,396	-	250,825
Cash Disbursements:					
Current:					
General government	23,841	-	-	-	23,841
Public safety	767	3,977	-	-	4,744
Public works	-	68,090	23,396	-	91,486
Health	7,286	-	-	-	7,286
Capital Outlay:	-	1,934	-	-	1,934
Debt Service:					
Redemption of Principal	-	3,270	-	-	3,270
Total Cash Disbursements	31,894	77,271	23,396	-	132,561
Total receipts over/(under) disbursements	90,277	27,987	-	-	118,264
Other financing receipts/(disbursements):					
Other financing sources	37,231	-	-	-	37,231
Other financing uses	-	(37,231)	-	-	(37,231)
Total other financing receipts/(disbursements)	37,231	(37,231)	-	-	-
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	127,508	(9,244)	-	-	118,264
Fund cash balances January 1, 2009	\$ (51,065)	\$ 127,071	\$ 0	\$ 1,626	\$ 77,632
Fund cash balances, December 31, 2009	<u>\$ 76,443</u>	<u>\$ 117,827</u>	<u>\$ 0</u>	<u>\$ 1,626</u>	<u>\$ 195,896</u>
Reserve for encumbrance, December 31, 2009	<u>\$ 1,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051</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 AND FIDUCIARY FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 13,497	\$ -	\$ -	\$ -	\$ 13,497
Licenses, Permits, and Fees	125	-	-	-	125
Intergovernmental	15,746	104,223	-	-	119,969
Earnings on Investments	984	56	-	-	1,040
Miscellaneous	2,686	-	-	-	2,686
Total Cash Receipts	33,038	104,279	-	-	137,317
Cash Disbursements:					
Current:					
General government	29,928	10,488	-	-	40,416
Public Safety	7,275	-	-	-	7,275
Public Works	-	94,729	-	-	94,729
Health	5,084	-	-	-	5,084
Operating Cash Disbursements:					
Supplies & Materials	-	-	-	-	-
Capital Outlay:	-	-	-	-	-
Debt Service:					
Redemption of Principal	-	3,270	-	-	3,270
Total Cash Disbursements	42,287	108,487	-	-	150,774
Total receipts over/(under) disbursements	(9,249)	(4,208)	-	-	(13,457)
Other financing receipts/(disbursements):					
Transfers-in	-	-	-	-	-
Transfers-out	-	-	-	-	-
Total other financing receipts/(disbursements)	-	-	-	-	-
 Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	 (9,249)	 (4,208)	 -	 -	 (13,457)
 Fund cash balances, January 1, 2008	 \$ (41,816)	 \$ 131,279	 \$ 0	 \$ 1,626	 \$ 91,089
 Fund cash balances, December 31, 2008	 \$ (51,065)	 \$ 127,071	 \$ 0	 \$ 1,626	 \$ 77,632
 Reserve for encumbrance, December 31, 2008	 \$ 3,095	 \$ 365	 \$ -	 \$ -	 \$ 3,460

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

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

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 Richland Township, Logan County to provide fire services to its residents. The Township is a member of BMRT Regional Ambulance District which provides emergency medical services to the Township.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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 accounts, and certificates of deposit. Certificates of deposit 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:

1. General Fund

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

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Fund Accounting, Continued

2. 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 is used to receive tax money for maintaining and repairing township roads.

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

Fire Levy Fund – This fund receives property tax money to pay for fire services. This fund was established in 2009 following the passage of a fire levy in 2008.

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Township Road 180 Reconstruction - This fund received an Ohio Public Works Commission Grant for reconstruction of Township Road 180. The Township was required to pay matching funds.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent funds:

Lightner and Wilson Cemetery Bequest Funds – The principal of each fund is maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donors.

E. Budgetary Process

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

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Budgetary Process, Continued

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 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

The Township did not certify estimated resources to the County Auditor for 2008.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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 investments 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>2009</u>	<u>2008</u>
Demand deposits	\$ 132,899	\$ 14,995
Savings	62,997	60,078
Certificates of deposits	<u>0</u>	<u>2,559</u>
Total Deposits	\$ 195,896	\$ 77,632

Deposits: Deposits at December 31, 2009 were either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool. Deposits at December 31, 2008 held in a credit union were insured by the National Credit Union Share Insurance Fund.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

2. EQUITY IN POOLED CASH AND INVESTMENTS, Continued

At December 31, 2008, the Township maintained all of its deposits in a credit union which is not an eligible depository per Ohio Rev. Code Section 135.03.

3. BUDGETARY ACTIVITY

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 80,457	\$ 122,171	\$ 41,714
Special Revenue	106,361	105,258	(1,103)
Capital Projects	0	23,396	23,396
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 186,818</u>	<u>\$ 250,825</u>	<u>\$ 64,007</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 39,291	\$ 31,894	\$ 7,397
Special Revenue	205,765	77,271	128,494
Capital Projects	0	23,396	(23,396)
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 245,056</u>	<u>\$ 132,561</u>	<u>\$ 112,495</u>

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 34,501	\$ 33,308	(\$ 1,193)
Special Revenue	90,972	104,246	13,274
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 125,473</u>	<u>\$ 137,554</u>	<u>\$ 12,081</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 45,142	\$ 42,287	\$ 2,855
Special Revenue	151,142	108,487	42,655
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 196,284</u>	<u>\$ 150,774</u>	<u>\$ 45,510</u>

Actual expenditures exceeded appropriations by \$23,396 for the Capital Projects Fund in 2009.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

3. BUDGETARY ACTIVITY, Continued

Appropriations exceeded the total certificate of estimated resources \$71,998 for the General Fund for 2009.

Appropriations exceeded the total actual resources by \$53,919 for the General Fund in 2008.

4. PROPERTY TAXES

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. 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, 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 February 28. The second half payment is due the following July 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. DEBT

Debt outstanding was as follows:

December 31, 2009	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$ 4,906	0%
Total	<u>\$ 4,906</u>	
December 31, 2008	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$ 8,175	0%
Total	<u>\$ 8,175</u>	

The Township was awarded an interest free loan from the Ohio Public Works Commission (OPWC) in the amount of \$32,700 in 2001. The loan will be repaid for a period of ten years in the annual amount of \$3,270. The loan was for the purpose of improving Township Road 133.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>OPWC</u>
2010	\$ 3,270
2011	1,635

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

6. RETIREMENT SYSTEMS

The Township's full-time and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10 percent of their gross salaries. The Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. JOINTLY GOVERNED ORGANIZATIONS

The B.R.M.T. Regional Ambulance District is directed by an appointed four member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions include McDonald and Richland Townships of Logan County, Taylor Creek Township of Hardin County, and the Village of Belle Center of Logan County. The District was established to provide rescue services and responds with mutual aid service to any agency requesting such service.

8. RISK MANAGEMENT

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

8. RISK MANAGEMENT, Continued

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. For an occurrence on or subsequent to January 1, 2008, the Pool retains casualty risk up to \$250,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2.65 million for each claim and \$10 million in the aggregate per year. Townships can elect additional coverage up to \$10 million with the General Reinsurance Corporation, through contacts with OTARMA.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006 or \$300 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 township.

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

Financial Position

OTARMA's financial statements (audited by other accountants) are in conformity with generally accepted accounting principals, and reported the following assets, liabilities and retained earnings at December 31, 2008 (the latest information available).

<u>Casualty Coverage</u>	<u>2008</u>
Assets	\$ 40,737,740
Liabilities	(12,981,818)
Retained Earnings	<u>\$ 27,755,922</u>

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

8. RISK MANAGEMENT, Continued

At December 31, 2008, casualty coverage liabilities noted above include approximately \$12.1 million and \$10.9 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2008. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$6,500. This payable included 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. The Township's contributions to OTARMA for the past three years are as follows:

	<u>Contributions to OTARMA</u>
2007	\$3,441
2008	\$3,457
2009	\$3,101

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

9. DEFICIT FUND BALANCE

At December 31, 2008 the Township had deficit balance in the General Fund of (\$51,065). The Township began working with the Local Government Services Division of the State Auditor's Office in 2008 to address the Township's deficit balance in the General Fund and determine a course of action.

In 2009 the Township approved a resolution to transfer \$37,231 from the Gasoline Fund to the General Fund. This amount represented four expenditures from 2003-2007 that were expended from the General Fund, but were all expenditures for road maintenance and repairs.

The Township had a positive balance in the General Fund of \$76,443 at December 31, 2009.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

10. FUND CASH BALANCES

The General Fund at January 1, 2008 reflects an increase of \$26,472 from the General Fund at December 31, 2007. The Special Revenue Fund at January 1, 2008 reflects a decrease of \$26,472 from the Special Revenue Fund at December 31, 2007. The January 1, 2008 balances reflect the reversal of 2006 and 2007 audit adjustments of \$13,130 and \$13,341, respectively, that were made due to the lack of supportive documentation for the trustees' compensation. The reversal of these entries was approved by the Auditor of State during 2009.

11. RELATED PARTIES

The Township Fiscal Officer is employed by the credit union where the Township held its deposits during 2008. The accounts were transferred to another financial institution in 2009.

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**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 Creek Township
18370 Township Road 133
Kenton, OH 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, 2009 and 2008, and have issued our report thereon dated April 21, 2010, 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 the Township is experiencing financial difficulties. 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 opinion on the financial statements, but not to opine on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government'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 deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Government'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 Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Taylor Creek Township
Hardin County
Independent Auditors' Report on Internal Control over
Financial Reporting and On Compliance and Other Matters
Required by *Governmental Auditing Standards*
Page 2

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting 2009-001 through 2009-007.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Government'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. However, of the significant deficiencies described above, we believe findings 2009-001 through 2009-006 are also material weaknesses.

Compliance

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-007. We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated April 21, 2010.

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

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
April 21, 2010

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

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

**FINDING NUMBER 2009-001
Noncompliance/Material Weakness**

Ohio Rev. Code, Section 5705.39, provides that total appropriations from each fund shall not exceed the total estimated resources.

During 2009, appropriations exceeded estimated resources in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2009	General	(\$32,707)	\$ 39,291	(\$ 64,998)

The Township filed and Amended Official Certificate of Estimated Resources with the County Budget Commission on January 12, 2009. The Budget Commission issued a “does exceed” certificate for the General Fund. During 2009, a resolution was passed to permit the transfer of funds to the General Fund which corrected the deficiency in the General Fund. A second Amended Official Certificate of Estimated Resources should have been submitted to the County Budget Commission. We recommend the Township monitor resources throughout the year to ensure that appropriations do not exceed estimated resources.

Officials’ Response: Township will monitor resources and will make sure they do not exceed the Certificate of Estimated Resources and if so will amend with the County Auditor.

**FINDING NUMBER 2009-002
Noncompliance/Material Weakness**

Ohio Revised Code Section 5705.34 requires the Township pass a resolution authorizing the necessary tax levies and to certify those levies to the county auditor before October 1, unless a later date is approved by the tax commissioner.

The Township passed a resolution authorizing the necessary tax levies for fiscal year 2008 on October 6, 2007 and certified them to the county auditor on October 11, 2007. Both actions were after the October 1 deadline. The Township was in compliance for 2009.

The County Auditor does not have authority to collect levy monies until the rates and amounts have been authorized by the Township Trustees. By not filing, or by filing late, the Township’s collection of tax levy revenues for the 2008 fiscal year could have been jeopardized. The Township should ensure the necessary tax levies are formally approved and certified to the County Auditor in a timely manner. This will help ensure that monies generated from approved tax levies can be collected and available for Township operations.

Officials’ Response: Current Fiscal Officer was not in office at the time of this finding and this was done correctly in 2009.

FINDING NUMBER 2009-003
Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.36 requires subdivisions and other taxing unit to certify to the county auditor, on or about the first day of each fiscal year, the total amount from all sources available for expenditure from each fund along with any unencumbered balances existing at the end of the preceding year.

The Township did not certify available revenue to the county auditor for 2008. Available revenues were posted to the accounting system for 2008. The Township was in compliance for 2009.

We recommend Township officials review procedures for certifying available revenue to the county auditor. Available revenues should not be posted to the accounting system until the available revenues are approved by the county.

Officials' Response: Current Fiscal Officer was not in office at the time of this finding and this was done correctly in 2009.

FINDING NUMBER 2009-004
Noncompliance/Material Weakness

Ohio Rev Code Section 135.03 states that eligible depositories include national banks and banks defined in ORC Section 1101.01. Ohio Rev. Code Section 1101.01(B) state that a "Bank" means a corporation that solicits, receives, or accepts money or its equivalent for deposit as a business, whether the deposit is made by check or is evidenced by a certificate of deposit, passbook, note, receipt, ledger card or otherwise. "Bank" also includes a state bank or a corporation doing business as a bank or savings bank under authority granted by the bank regulatory of another state of the United States or another country, but does not include a savings association, savings banks, or credit union.

At December 31, 2008, the Township held \$77,604 (100%) of its deposits in checking, savings, and certificates of deposit at a local credit union which was not an eligible depository. The Township transferred its deposits to an eligible depository in 2009.

Officials' Response: Money has been moved to Liberty Bank and Township now in compliance.

FINDING NUMBER 2009-005
Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.36(A)(2) allows subdivisions to request increased amended certificates of estimated resources or reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. **Ohio Rev. Code Section 5705.36(A)(3)** required obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. **Ohio Rev. Code Section 5706.36(A)(4)** required obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Township received a “does exceed” certificate from the Hardin County Budget Commission for the General Fund. However, an amended certificate of estimated resources was not requested to correct the deficiency once funds were released to the General Fund. Therefore, appropriations exceeded the certificate of estimated resources.

The Township should develop procedures to monitor the Township budget and estimated resources, and to increase or reduce estimated revenues and appropriations before expending more than the available resources for any fund.

Officials’ Response: Fiscal Officer will make sure the certificates are compliant in the future.

FINDING NUMBER 2009-06
Noncompliance/Material Weakness

Auditor of State Bulletin 2000-008, (This bulletin updates and combines the guidance provided in prior bulletins on State Issue II grants (MAS Bulletin 89017) and the retainage contracts (MAS 89-11)) state that a local government shall include in its official or amended certificates of estimated resources that amount of Issue II monies anticipated to be received into the project fund during the year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year. If the project is not expected to be completed in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).

The Township failed to record the \$23,396 disbursed in 2009 by Ohio Public Works Commission (OPWC) on behalf of Taylor Creek Township. In addition, the Township failed to include the OPWC revenues in their Certificate of Estimated Resources amendments. Furthermore, the Township did not appropriate the OPWC funding sources for the year, contrary to the above requirements. The budgetary variance as disclosed in Note 3 is a result of the Township not budgeting the activity discussed in the Audit Bulletin. The Township should follow the guidance in AOS Bulletin 2000-008 to accurately present the Township’s financial activity when State funding or on-behalf funding is received.

FINDING NUMBER 2009-06 (continued)
Noncompliance/Material Weakness

Officials' Response: Fiscal officer was unaware of the OPWC and will make sure it is in compliance in the future.

FINDING NUMBER 2009-007
Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement state 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 Township.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, effective September 26, 2003) against any specific line item account over a period not running beyond the end of the current fiscal 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 2009-007 (continued)

Noncompliance

3. **Super Blanket Certificate** – The Township 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 line item appropriation.

During 2009 and 2008, the Township used purchase orders as though they were blanket certificates or super blanket certificates for recurring expenditures such as utilities, landfill charges, etc. Blanket certificates or super blanket certificates may be used for recurring expenses. Otherwise, a new purchase order should be used for each monthly charge.

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. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

The Township should also establish a dollar amount for blanket purchase orders via a resolution. Failure to establish a dollar amount for blanket purchase orders could result in overspending and misappropriation of funds. We recommend that the Township establish a dollar amount for blanket purchase orders via a resolution in the minutes.

Officials' Response: The Township did not respond.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.39; Appropriations shall not exceed estimated resources	No	Reissued as Finding 2009-001
2007-002	Ohio Rev. Code Section 5705.34; Certifying tax levies to county	No	Partially Corrected; Reissued as 2009-002
2007-003	Ohio Rev. Code Section 117-2-02(D); maintaining sufficient accounting records	Yes	
2007-004	Ohio Rev. Code Section 135.03; Eligible depositories	Yes	Partially Corrected; Reissued as 2009-04
2007-005	Ohio Rev. Code Section 5705.36; Certifying available revenue to county	No	Partially Corrected; Reissued as 2009-003
2007-006	Ohio Rev. Code Section 5705.36(A)(2); Requesting amended certificates of estimated revenue	No	Reissued as 2009-005
2007-007	Ohio Admin Code Section 117-2-02(C)(1); Integrating budgetary amounts into the accounting system	Yes	
2007-008	Ohio Rev. Code Section 5705.41(B); Not expending monies unless appropriated	Yes	
2007-009	Ohio Rev. Code Section 5705.10; Interfund transfers	Yes	

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-010	Ohio Rev. Code Section 505.24(C); Documentation of time for trustee compensation	Yes	
2007-011	Bank reconciliations	Yes	
2007-012	Ohio Rev. Code Section 5705-10; Money paid into fund shall be used only for purpose for which fund is established	Yes	
2007-013	Ohio Rev. Code Section 135.18; Requiring depository to provide security equal to funds on deposit	Yes	



Mary Taylor, CPA
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 1, 2010