

TAYLOR TOWNSHIP
UNION COUNTY, OHIO

FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Dave Yost • 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, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

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 Fiscal Officer Patricia Laird, \$5,155 for 2010 and provided dental and vision insurance valued at \$1,004 which exceed the \$6,000 reimbursement threshold of the Township's policy by \$159.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Patricia Laird, Township Fiscal Officer, and her bonding company, Traveler's Casualty and Surety Company of America, jointly and severally, in the amount of \$159, and in favor of Taylor Township General Fund, in the amount of \$159.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Additionally, Township Trustees Guy Green, John Marshal, and Ronald Steele, and their bonding company, The Traveler's Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$159 and in favor of the Taylor Township General Fund to the extent that recovery is not obtained from Patricia Laird.

The above finding was paid in full by Patricia Laird on October 3, 2011 with check number 6121.

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.

Board of Trustees
Taylor Township
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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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

November 10, 2011

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**Taylor Township
Union County, Ohio**

**For the Years Ended
December 31, 2010 and 2009**

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Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Delaware, 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, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or their changes in financial position for the 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, 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 28, 2011

**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, 2010**

	<u>Governmental Funds</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash receipts:					
Property and other local taxes	\$ 49,313	307,087	-	-	356,400
Licenses, permits and fees	1,025	7,511	-	-	8,536
Fines and forfeitures	9,565	-	-	-	9,565
Intergovernmental	91,574	93,482	-	-	185,056
Special assessments	-	-	2,612	-	2,612
Earnings on investments	2,227	516	-	-	2,743
Miscellaneous	<u>-</u>	<u>3,507</u>	<u>-</u>	<u>-</u>	<u>3,507</u>
Total cash receipts	153,704	412,103	2,612	-	568,419
Cash disbursements:					
Current:					
General government	112,561	-	-	-	112,561
Public safety	9,615	160,462	-	-	170,077
Public works	-	32,181	5,806	-	37,987
Health	-	28,921	-	-	28,921
Capital outlay	<u>4,282</u>	<u>901</u>	<u>-</u>	<u>-</u>	<u>5,183</u>
Total cash disbursements	<u>126,458</u>	<u>222,465</u>	<u>5,806</u>	<u>-</u>	<u>354,729</u>
Total receipts over (under) disbursements	27,246	189,638	(3,194)	-	213,690
Other receipts (disbursements):					
Transfers in	-	-	40,000	-	40,000
Transfers out	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Total other receipts (disbursements)	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Total receipts over (under) disbursements	(12,754)	189,638	36,806	-	213,690
Fund cash balances, January 1	<u>142,230</u>	<u>234,732</u>	<u>46,521</u>	<u>4,326</u>	<u>427,809</u>
Fund cash balances, December 31	\$ <u>129,476</u>	<u>424,370</u>	<u>83,327</u>	<u>4,326</u>	<u>641,499</u>
Reserves for encumbrances	\$ <u>9,382</u>	<u>2,010</u>	<u>-</u>	<u>-</u>	<u>11,392</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, 2009**

	Governmental Funds				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash receipts:					
Property and other local taxes	\$ 41,590	244,721	-	-	286,311
Licenses, permits and fees	1,562	3,682	-	-	5,244
Fines and forfeitures	7,357	-	-	-	7,357
Intergovernmental	90,631	94,386	-	-	185,017
Special assessments	-	-	3,365	17	3,382
Earnings on investments	2,821	965	11	-	3,797
Miscellaneous	<u>9,625</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>11,425</u>
Total cash receipts	153,586	345,554	3,376	17	502,533
Cash disbursements:					
Current:					
General government	128,681	-	-	-	128,681
Public safety	28,062	160,462	-	-	188,524
Public works	-	97,082	3,977	-	101,059
Health	-	30,359	-	-	30,359
Conservation/recreation	75	-	-	-	75
Capital outlay	<u>39,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,830</u>
Total cash disbursements	<u>196,648</u>	<u>287,903</u>	<u>3,977</u>	<u>-</u>	<u>488,528</u>
Total receipts over (under) disbursements	(43,062)	57,651	(601)	17	14,005
Other receipts (disbursements):					
Transfers in	-	-	40,000	-	40,000
Transfers out	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Total other receipts (disbursements)	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Total receipts over (under) disbursements	(83,062)	57,651	39,399	17	14,005
Fund cash balances, January 1	<u>225,292</u>	<u>177,081</u>	<u>7,122</u>	<u>4,309</u>	<u>413,804</u>
Fund cash balances, December 31	\$ <u>142,230</u>	<u>234,732</u>	<u>46,521</u>	<u>4,326</u>	<u>427,809</u>
Reserves for encumbrances	\$ <u>-</u>	<u>513</u>	<u>363</u>	<u>-</u>	<u>876</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, 2010 and 2009**

(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

Certificates of deposit are reported as assets. Accordingly, purchases of certificates of deposit are not recorded as disbursements, and sales of certificates of deposit are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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, 2010 and 2009**

(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 (ORC) 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, 2010 and 2009**

(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 ORC 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 2010 and 2009 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

The Township maintains a cash pool used by all funds. The ORC prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 638,499	424,809
Certificates of deposit	<u>3,000</u>	<u>3,000</u>
Total deposits	\$ <u>641,499</u>	<u>427,809</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, 2010 and 2009 follows:

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(3) Budgetary Activity, continued

<u>2010 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 137,000	153,704	16,704
Special Revenue	398,303	412,103	13,800
Capital Projects	44,000	42,612	(1,388)
Permanent	<u>25</u>	<u>-</u>	<u>(25)</u>
Total	\$ <u>579,328</u>	<u>608,419</u>	<u>29,091</u>

<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 336,659	175,840	160,819
Special Revenue	522,184	224,475	297,709
Capital Projects	98,788	5,806	92,982
Permanent	<u>1,325</u>	<u>-</u>	<u>1,325</u>
Total	\$ <u>958,956</u>	<u>406,121</u>	<u>552,835</u>

<u>2009 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 131,691	153,586	21,895
Special Revenue	338,266	345,554	7,288
Capital Projects	10,000	43,376	33,376
Permanent	<u>-</u>	<u>17</u>	<u>17</u>
Total	\$ <u>479,957</u>	<u>542,533</u>	<u>62,576</u>

<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 347,379	236,648	110,731
Special Revenue	466,702	288,416	178,286
Capital Projects	25,000	4,340	20,660
Permanent	<u>1,309</u>	<u>-</u>	<u>1,309</u>
Total	\$ <u>840,390</u>	<u>529,404</u>	<u>310,986</u>

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(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 ORC.

Contribution rates are also prescribed by the ORC. For 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

(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. 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.

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(6) Risk Management, continued

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective 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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$ 38,982,088	40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	\$ <u>26,101,322</u>	<u>27,755,922</u>

At December 31, 2009 and 2008, respectively, liabilities above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$12,000.

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

Contributions to OTARMA

2008	\$ 4,185
2009	3,118
2010	3,819

**Taylor Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(6) Risk Management, continued

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 60 days written notice to OTARMA. 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.

(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, 2010 for \$160,462.

Pursuant to a three year contract that commenced on January 1, 2009 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 \$10,115 and \$28,062 pursuant to this contract in 2010 and 2009, respectively. The Township remaining balance due of \$9,382 was encumbered in 2010. The amount that will be due for 2011 is undetermined at this time.

(8) Subsequent Events

Subsequent events have been evaluated through June 28, 2011, which is the date the financial statements were available to be issued.

(9) Compliance

Contrary to Ohio law:

- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- Appropriations exceeded estimated resources for the General Fund by \$57,429 for 2010, Motor Vehicle License Fund by \$2,488 and \$2,473 for 2010 and 2009, respectively, Road and Bridge Fund by \$588 for 2009, Park Fund by \$94 and Capital Projects Fund by \$8,267 and \$7,878 for 2010 and 2009, respectively.
- The Township did not obtain an amended Certificate of Estimated Resources in 2009 to reflect shortfalls of anticipated revenue of \$179 in the Road and Bridge Fund and \$10,366 in the Fire Levy Fund. In addition, the Township did not obtain an amended Certificate of Estimated Resources in 2010 to reflect a shortfall of anticipated revenue of \$1,020 in the Fire Levy Fund, \$1,388 in the Capital Projects Fund and \$25 in the Permanent Fund.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Delaware, 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, 2010 and 2009, and have issued our report thereon dated June 28, 2011, 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. 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and timely corrected. We consider Findings 2010-01 through 2010-03 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered Findings 2010-05 and 2010-07 to be significant deficiencies in internal control over financial reporting as described in the accompanying Schedule of Findings.

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 2010-04, 2010-06 and 2010-07.

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 28, 2011.

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 28, 2011

**Taylor Township
Union County, Ohio
Schedule of Findings
December 31, 2010 and 2009**

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

Finding Number 2010-01
Material weakness

Lease payments from Union County commissioners for use of a Township building as a Sheriff's substation in the amount of \$5,000 per year were not collected in 2010 and 2009. Ohio Revised Code (ORC) Section 9.39 states all "public officials are liable for all public money received or collected by them or by their subordinated under color of office." After discussing this issue with the auditors, the Township billed and received the full \$10,000 in June 2011.

Response by Township

No response received.

Finding Number 2010-02
Material weakness

ORC Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer should certify to the county auditor the total amount from all sources available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Certificates of Estimated Resources that the Township prepared for 2010 and 2009 were based on inaccurate beginning cash balances by fund per the Uniform Accounting Network (UAN). Fund balances in UAN did not agree to audited fund balances by fund as of December 31, 2008. The tables below reflect the actual audited cash balances (less encumbrances) by fund versus available cash balances by fund reported in the Certificate of Estimated Resources. The 2010 beginning audited balances also include adjustments made to 2009 transactions during the current audit.

<u>2009</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$225,013	279,521	(54,508)
Fire Levy Fund	34,711	7,530	27,181
Cemetery Fund	48,642	51,343	(2,701)
Road and Bridge Fund	10,452	14,975	(4,523)
Motor Vehicle License Tax	7,977	10,466	(2,489)
Gasoline Tax Fund	75,043	76,021	(978)
Parks & Recreation Fund	94	94	-
Capital Projects Fund	7,122	19,407	(12,285)
Permanent Fund	4,309	4,309	-

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

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

Finding Number 2010-02, continued
Material weakness

<u>2010</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$142,230	199,623	(57,393)
Fire Levy Fund	90,690	28,487	62,203
Cemetery Fund	48,748	48,748	-
Road and Bridge Fund	11,994	11,994	-
Motor Vehicle License Tax	8,916	11,416	(2,500)
Gasoline Tax Fund	72,336	62,488	9,848
Parks & Recreation Fund	-	94	(94)
Other Special Revenue	1,535	2,860	(1,325)
Capital Projects Fund	46,158	58,789	(12,631)
Permanent Fund	4,326	3,000	1,326

The Union County Auditor requires timely filing of budgetary documents or Local Government funds may be withheld. In addition, the properly completed Certificate of Estimated Resources serves as the basis for the appropriation resolution.

As a result of inaccurate fund balances in UAN, the Township is at risk to unknowingly spend funds into a deficit balance. Such a situation would be especially detrimental to the Township if the General Fund were to be spent into a deficit balance since it is the only fund from which any lawful Township expenditure may be made without restriction.

Response by Township

No response received.

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

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

Finding Number 2010-03
Material weakness

In 2010, some rollback/homestead money was included as Local Taxes instead of 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 \$17,545 for 2010.

In 2009, expenditures for zoning were charged to Public Safety instead of General Government in the General Fund. For 2010 and 2009, all disbursements to the Union County Sheriff for the public safety officer contract were classified as Public Safety in the Special Levy Fund (Fire), but should have been classified as Public Safety in the General Fund. Total expenditure reclassifications made in the audited financial statements were \$9,615 and \$41,749 for 2010 and 2009, respectively.

Response by Township

No response received.

Finding Number 2010-04
Noncompliance

ORC 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).

- General Fund – In 2010, appropriations exceeded estimated resources by \$57,429.
- Motor Vehicle License Fund – In 2010 and 2009, appropriations exceeded estimated resources by \$2,488 and \$2,473, respectively.
- Road and Bridge Fund – In 2009, appropriations exceeded estimated resources by \$588.
- Park Fund – In 2010, appropriations exceeded estimated resources by \$94.
- Capital Projects Fund – In 2010 and 2009, appropriations exceeded estimated resources by \$8,267 and \$7,878, respectively.

Failure to limit appropriations to the amount of available revenue could result in overspending and negative cash fund balances.

Response by Township

No response received.

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

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

Finding Number 2010-05
Significant deficiency

In 2010 and 2009, budgeted receipts entered into the UAN did not agree to the final Certificate of Estimated Resources (the Certificate) as follows:

- General Fund – Budgeted receipts in UAN were more than the certificate by \$40 in 2010. In 2009, budgeted receipts in UAN were less than the Certificate by \$27,067.
- Special Revenue Funds – Budgeted receipts in UAN for certain funds were less than the Certificate by \$39,303 and \$1,450 in 2010 and 2009, respectively. In 2009, budgeted receipts in UAN for certain funds were more than the Certificate by \$24,574.
- Capital Project Fund – Budgeted receipts in UAN were less than the Certificate by \$4,000 in 2010. In 2009, budgeted receipts in UAN were more than the Certificate by \$40,000.
- Permanent Fund - Budgeted receipts in UAN were less than the certificate by \$25 in 2010. In 2009, budgeted receipts in UAN were more than the Certificate by \$120.

The UAN system has built-in safeguards to assist local governments in complying with budgetary requirements of the ORC; however, these safeguards cannot operate effectively when inaccurate appropriation and budgeted receipt data is input.

Response by Township

No response received.

Finding Number 2010-06
Noncompliance

ORC Section 5705.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

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

Finding Number 2010-06, continued
Noncompliance

In 2009, appropriations exceeded available resources by \$1,960 in the Motor Vehicle License Tax Fund and \$767 in the Road and Bridge Fund. In 2010, appropriations exceeded available resources by \$13,443 in the General Fund, \$2,120 in the Motor Vehicle License Tax Fund, \$9,949 in the Capital Projects Fund and \$17 in the Permanent Fund. These deficits were caused by actual receipts falling below budgeted receipts and/or inaccurate beginning unencumbered balances (See Finding 2010-02) . We recognize that the Township did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended Certificate of Estimated Resources to reflect the reduced receipts. Additionally, the Township should have reduced the appropriations below the estimated resources.

Response by Township

No response received.

Finding Number 2010-07
Significant deficiency/noncompliance

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. The Township's resolution states that the cost "will be reimbursed upon receipt of proof of payment."

The Township's reimbursement for health insurance of the Fiscal Officer and one Trustee resulted in the following concerns:

1. Documentation for the payments was incomplete. The invoice copies attached to the reimbursement check did not include the name and address of the insured, the period of coverage and the type of insurance. No invoice copies were attached for one Trustee for 2010.
2. For 2010 the Fiscal Officer received a reimbursement of \$5,155.64. Because the Fiscal Officer received Township paid dental and vision insurance coverage with a cost of \$1,003.68, the 2010 reimbursement exceeded the approved reimbursement by \$159.32.

**Taylor Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

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

Finding Number 2010-07, continued
Significant deficiency/noncompliance

3. For 2009, one Trustee provided documentation totaling \$4,996.32, but was only reimbursed \$4,712.82. The Trustee should have been reimbursed an additional \$283.50.

Response by Township

No response received.

**Taylor Township
Union County, Ohio
Schedule of Prior Audit Findings
December 31, 2010 and 2009**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2008-01	ORC 5705-41 Fiscal Officer must certify the commitment of money prior to the expenditure taking place.	Yes	Finding no longer valid.
2008-02	Material reclassifications	No	Repeat as Finding Number 2010-03.
2008-03	ORC 5705.38 (C) in UAN did not agree to Appropriation Measure	Yes	Finding no longer valid.
2008-04	ORC 505.601 Reimbursement of Health Insurance Resources to reflect the actual receipts as well as an amended appropriation	No	Revised as Finding Number 2010-07.
2008-05	ORC 5705.39 Appropriations Should not exceed Estimated Resources Available	No	Repeat as Finding Number 2010-04.



Dave Yost • 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 29, 2011