



Dave Yost • Auditor of State

TAYLOR TOWNSHIP
UNION COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Taylor Township
Union County
19449 Wheeler Green Rd
Marysville, Ohio 43040

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Taylor Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Taylor Township, Union County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Taylor Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 15, 2013

**TAYLOR TOWNSHIP
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 52,918	\$ 310,552	\$ -	\$ -	\$ 363,470
Licenses, Permits and Fees	2,751	3,331			6,082
Fines and Forfeitures	8,086				8,086
Intergovernmental	53,663	129,697			183,360
Special Assessments			2,542		2,542
Earnings on Investments	1,723	323		13	2,059
Miscellaneous	6,014	6,870			12,884
<i>Total Cash Receipts</i>	<u>125,155</u>	<u>450,773</u>	<u>2,542</u>	<u>13</u>	<u>578,483</u>
Cash Disbursements					
Current:					
General Government	112,200	2,145			114,345
Public Safety		195,347			195,347
Public Works	11,600	24,538	4,355		40,493
Health		49,019			49,019
Capital Outlay	490				490
<i>Total Cash Disbursements</i>	<u>124,290</u>	<u>271,049</u>	<u>4,355</u>	<u>-</u>	<u>399,694</u>
<i>Net Change in Fund Cash Balances</i>	865	179,724	(1,813)	13	178,789
<i>Fund Cash Balances, January 1</i>	<u>33,251</u>	<u>452,537</u>	<u>202,211</u>	<u>4,341</u>	<u>692,340</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,000	3,000
Restricted	-	628,999	-	1,354	630,353
Committed	-	3,262	398	-	3,660
Assigned	34,116	-	200,000	-	234,116
Unassigned (Deficit)	-	-	-	-	-
<i>Fund Cash Balances, December 31</i>	<u>\$ 34,116</u>	<u>\$ 632,261</u>	<u>\$ 200,398</u>	<u>\$ 4,354</u>	<u>\$ 871,129</u>

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

**TAYLOR TOWNSHIP
UNION COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 52,087	\$ 304,977	\$ -	\$ -	\$ 357,064
Licenses, Permits and Fees	2,466	3,593			6,059
Fines and Forfeitures	5,483				5,483
Intergovernmental	61,074	121,676			182,750
Special Assessments			2,513		2,513
Earnings on Investments	1,750	467		15	2,232
Miscellaneous	18,737	1,500			20,237
<i>Total Cash Receipts</i>	<u>141,597</u>	<u>432,213</u>	<u>2,513</u>	<u>15</u>	<u>576,338</u>
Cash Disbursements					
Current:					
General Government	114,536	5,420			119,956
Public Safety		209,741			209,741
Public Works		138,879	3,629		142,508
Health		50,006			50,006
Conservation-Recreation	1,000				1,000
Capital Outlay	2,642				2,642
<i>Total Cash Disbursements</i>	<u>118,178</u>	<u>404,046</u>	<u>3,629</u>	<u>-</u>	<u>525,853</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,419</u>	<u>28,167</u>	<u>(1,116)</u>	<u>15</u>	<u>50,485</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	356				356
Transfers In			120,000		120,000
Transfers Out	(120,000)				(120,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(119,644)</u>	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>356</u>
<i>Net Change in Fund Cash Balances</i>	<u>(96,225)</u>	<u>28,167</u>	<u>118,884</u>	<u>15</u>	<u>50,841</u>
<i>Fund Cash Balances, January 1</i>	<u>129,476</u>	<u>424,370</u>	<u>83,327</u>	<u>4,326</u>	<u>641,499</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,000	3,000
Restricted	-	443,440	-	1,341	444,781
Committed	-	9,097	2,211	-	11,308
Assigned	33,251	-	200,000	-	233,251
Unassigned (Deficit)	-	-	-	-	-
<i>Fund Cash Balances, December 31</i>	<u>\$ 33,251</u>	<u>\$ 452,537</u>	<u>\$ 202,211</u>	<u>\$ 4,341</u>	<u>\$ 692,340</u>

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

**TAYLOR TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Township, Union County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Liberty Township to provide fire services and ambulance services. The Township contracts with the Union County Sheriff's Office to provide routine police protection services.

The Township participates in the LUC Regional Planning Commission, jointly governed organization. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values a certificate of deposit 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**TAYLOR TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Cemetery Fund - This fund receives property tax money and license, permits, & fees for maintaining the Township's cemeteries.

Special Levy Fire Fund - This fund receives fire levy tax money to pay for fire and EMS contracted services provided to residents of the Township.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Miscellaneous Capital Projects Fund – This fund is utilized for the future construction on a Community Center.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Township's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year end.

TAYLOR TOWNSHIP
UNION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

E. Budgetary Process (Continued)

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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

**TAYLOR TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$868,129	\$689,340
Certificates of deposit	3,000	3,000
Total deposits	<u>871,129</u>	<u>692,340</u>

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

**TAYLOR TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,450	\$125,155	(\$12,295)
Special Revenue	405,977	450,773	44,796
Capital Projects	2,500	2,542	42
Permanent	0	13	13
Total	\$545,927	\$578,483	\$32,556

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$183,955	\$124,290	\$59,665
Special Revenue	770,361	271,049	499,312
Capital Projects	216,979	4,355	212,624
Total	\$1,171,295	\$399,694	\$771,601

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$153,896	\$141,953	(\$11,943)
Special Revenue	420,002	432,213	12,211
Capital Projects	62,600	122,513	59,913
Permanent	0	15	15
Total	\$636,498	\$696,694	\$60,196

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$291,460	\$238,178	\$53,282
Special Revenue	718,803	404,046	314,757
Capital Projects	158,194	3,629	154,565
Total	\$1,168,457	\$645,853	\$522,604

Contrary to Ohio law, beginning cash balances were not properly recorded and certified by the Township to the County Auditor on the Certificate of Estimated Resources for the following funds as of January 1, 2011 and January 1, 2012: General Fund, Gasoline Tax Fund, Cemetery Fund, Special Fire Levy Fund, & Lighting Assessment Fund. In addition, the Road & Bridge Fund beginning cash balance as of January 1, 2012 was not properly reported.

**TAYLOR TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

6. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**TAYLOR TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Risk Management (Continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,928.

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.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$4,963	\$4,632

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

**TAYLOR TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Jointly Governed Organizations

Taylor Township participates in the LUC Regional Planning Commission which is a statutorily created political subdivision of the State. The Commission is jointly governed among Logan, Union, and Champaign Counties, and the cities of Bellefontaine, Marysville, and Urbana. Each member's control over the operation of the Commission is limited to its representation on the Board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic and governmental characteristics, functions and services of the entities involved. The Township contributed \$1,014 in 2012 and \$1,146 in 2011. Due to the 2010 census, Union County has become the fiscal agent for the Commission in 2012. Additional information may be obtained by writing to the LUC Regional Planning Commission, P.O. Box 219, East Liberty, Ohio 43319.

8. Subsequent Event

On May 13, 2013, the voters of the Township approved an additional levy for 5.75 mills for fire and emergency medical services and public safety officer services. The levy funds will be deposited into the Fire Fund. Collections of the new levy dollars will begin on January 1, 2014.



Dave Yost • Auditor of State

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

Taylor Township
Union County
19449 Wheeler Green Rd
Marysville, Ohio 43040

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Taylor Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In addition, we noted that in 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a 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 consider findings 2012-001 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-002 and 2012-003.

Entity's Response to Findings

The Township's responses to the findings identified 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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 15, 2013

**TAYLOR TOWNSHIP
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Governmental Accounting Standards Board Statement 54 was implemented for the 2011 and 2012 financial statements. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In addition to the fund balance adjustments noted in Finding 2012-003, the following audit adjustments and reclassifications were made to the Township's financial statements and where applicable to the Township's accounting records to properly post receipts and expenditures and to apply the new accounting standard:

1. In 2011, fund balance adjustments were made to agree the January 1, 2011 fund balance to the audited balances at December 31, 2010. The General Fund and Capital Projects Fund were decreased by \$64,049 and \$12,268, respectively, while the Special Revenue Fund increased by \$76,578. The inaccurate fund balances reported also contributed to Finding 2012-002.
2. In 2012, the Township classified \$1,126 in fines received from the Marysville Municipal Court to the General Fund as license, permits and fees instead of fines and forfeitures.
3. In 2012, the Township classified \$2,179 in various intergovernmental receipts as license permits and fees in the General Fund.
4. In 2012, the Township classified \$5,000 from the Sheriff's rental payment as intergovernmental receipts in the General Fund instead of miscellaneous receipts.
5. In 2012, the Township misclassified \$5,443 in intergovernmental receipts and \$387 in miscellaneous receipts as property taxes in the General Fund. In addition, the Township posted \$245, \$2,225, and \$20,566 as property taxes instead of intergovernmental receipts in the Road & Bridge fund, Cemetery Fund, and Special Levy Fund, respectively.
6. In 2012, the Township classified the Road & Bridge Fund balance of \$3,168 as restricted. Due to the Road and Bridge Fund receiving property taxes from inside millage, this fund balance has been reclassified as committed.
7. In 2012 and 2011, the Cemetery Fund balances of \$83,960 and \$73,370, respectively, were classified as committed. Due to the Township receiving property taxes from outside millage and the charges for services in the Cemetery fund being constrained by the Ohio Revised Code, these fund balances were reclassified as restricted.
8. The Township's Miscellaneous Special Revenue Fund had a fund balance in 2012 and 2011 of \$1,535. In 2011 it was classified as assigned and in 2012 it was classified as restricted. There was no support to substantiate that this fund balance met the requirement to be restricted. Therefore, the 2012 fund balance was reclassified as assigned.

**TAYLOR TOWNSHIP
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-001 (Continued)

Material Weakness (Continued)

9. The Board of Trustees passed resolutions to transfer \$200,000 from the General Fund to a Miscellaneous Capital Projects fund to be used towards the constructing a community center. In 2011, the fund balance of \$200,000 was classified as assigned. In 2012, the \$200,000 fund balance was classified as restricted. A reclassification was made in 2012 to properly report the fund balance as assigned since there is not an external constraint on the use of these monies.
10. The Township's subsequent year appropriations exceeded the subsequent year estimated receipts in the General Fund for both 2012 and 2011. As a result, reclassifications were needed to report \$34,116 and \$33,251, respectively, as an assigned fund balance in the General Fund rather than unassigned.

By not properly classifying transactions and fund balances, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

The reclassifications and adjustments identified during the audit should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Board of Trustees should review the financial statements and note disclosures to identify and correct errors and omissions.

Officials' Response:

There was a change in Fiscal Officer between 2011 and 2012 with the sitting Fiscal Officer resigning the remainder of her term. There is now a better understanding of the GASB 54 definitions and the limitations and/or restrictions of each fund and classification. Also, questions regarding the appropriate revenue and expense codes were reviewed and noted.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Revised Code §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 expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Certificate of Estimated Resources that that Township prepared for 2012 and 2011 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, 2010. The tables below reflect the actual audited cash balance (less encumbrances) by fund versus available cash balances by fund reported in the Certificate of Estimated Resources. The 2012 beginning audited balances include adjustments made to 2011 transactions during the current audit.

**TAYLOR TOWNSHIP
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002 (Continued)

Noncompliance Citation (Continued)

2012 Funds	Available Beginning Cash Balance	Available Balance per Certificate of Estimated Resources	Difference
General Fund	\$33,251	\$ 124,355	(\$91,104)
Motor Vehicle License Tax Fund	11,046	11,043	3
Gasoline Tax Fund	95,742	96,194	(452)
Road & Bridge Fund	9,003	8,560	443
Cemetery Fund	73,370	69,594	3,776
Special Fire Levy Fund	261,747	164,656	97,091
Lighting Assessment Fund	2,211	14,479	(12,268)

2011 Funds	Available Beginning Cash Balance	Available Balance per Certificate of Estimated Resources	Difference
General Fund	\$129,476	\$ 142,091	(\$12,615)
Motor Vehicle License Tax Fund	8,760	8,755	5
Gasoline Tax Fund	135,637	137,656	(2,019)
Cemetery Fund	71,660	71,742	(82)
Special Fire Levy Fund	194,825	105,665	89,160
Miscellaneous Special Revenue Fund	1,535	0	1,535
Lighting Assessment Fund	3,327	15,595	(12,268)

As a result of inaccurate fund balances in UAN, the Township is at risk to unknowingly spend funds into a deficit fund 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.

We recommend the Township develop procedures to ensure that UAN contains accurate fund balances.

Officials' Response:

The Trustees stated that they were unaware of the request from previous audits to make adjustments to the beginning balances. The previous Fiscal Officer commented on some of the Findings but did not communicate the necessary actions to remedy the situation. The adjustments were not properly made in UAN to realign and comply with the audit. The new Fiscal Officer will ensure that all Trustees receive all paperwork associated with the audit as well as required a post-audit meeting to share results directly from the audit staff. In addition, all audit paperwork will be signed and initialed by Trustees to confirm they have been made aware of the action to be taken by the Township.

**TAYLOR TOWNSHIP
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-003

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10 (C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Additionally, Section (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Township did not post homestead and rollback receipts to Special Revenue Funds in accordance to millage levied for each fund, nor did the Township properly post special assessment receipts. In addition, property tax deductions were not properly allocated among funds. This resulted in the following adjustments:

- 1) In 2011, a total adjustment of \$30,498 from the General Fund; \$490 to the Road & Bridge Fund, \$4,446 to the Cemetery Fund, and \$25,562 to the Special Levy Fund.
- 2) In 2011, \$15,590 in adjustments were made from the General Fund to the Road & Bridge Fund, Cemetery Fund, and Special Levy Fund for \$250, \$2,273, and \$13,067, respectively.
- 3) An adjustment of \$1,037 was made in 2012 in order to properly reflect special assessment receipts in the Capital Projects Fund instead of as property and other local taxes in the General Fund.
- 4) The Township also posted property tax deductions and fees of \$2,145 in 2012 and \$5,420 in 2011 to the General Fund instead of to the appropriate Special Revenue Fund. In 2012, \$111, \$1,034, and \$1,000 should have been recorded in the Road & Bridge Fund, Cemetery Fund, and Special Levy Fund, respectively. In 2011, \$47, \$796, and \$4,577 should have been recorded in the Road & Bridge Fund, Cemetery Fund, and Special Levy Fund, respectively.

The Fiscal Officer made the adjustments to the Township's records and the adjustments are reflected in the accompanying financial statements.

Failure to properly classify receipts among funds results in inaccurate financial reports being disseminated to the Board of Trustees, as well as financial statement users.

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct funds in accordance with the County settlement information and the Ohio Revised Code.

Officials' Response:

As part of the posting of revenue in 2013, all tax deduction accounts have been created and utilized to post revenue to the appropriate accounts. Clarifications for revenue accounts were reviewed with the Auditor and adjustments were made to correct any incorrect postings for 2013 revenue.

**TAYLOR TOWNSHIP
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2010-01	Lease Payments for Sheriff's Substation	Yes	N/A
Finding 2010-02	Ohio Revised Code §5705.36- Certification of All Resources Available for Expenditure on the first day of year	No	Reissued as Finding 2012-002
Finding 2010-03	Financial Reporting	No	N/A
Finding 2010-04	Ohio Revised Code §5705.39—Appropriations exceeding Estimated Resources	Yes	Finding No Longer Valid
Finding 2010-05	Budgeted Receipts	Yes	N/A
Finding 2010-06	Ohio Revised Code §5705.36- Obtaining an amended Certificate of Estimated Resources	Yes	N/A
Finding 2010-07	Health Care Insurance Premium Reimbursements and Finding for Recovery per Ohio Revised Code Section 506.601.	Yes	N/A

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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
OCTOBER 8, 2013**