

**Taylor Creek Township
Hardin County, Ohio
Financial Statements
December 31, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Taylor Creek Township
18370 Township Road 133
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, 2006 through December 31, 2007. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 10, 2008

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Taylor Creek Township
Hardin County, Ohio

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –All Governmental Fund and Fiduciary Fund Types for the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund and Fiduciary Fund Types for the year Ended December 31, 2006	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS	15
Schedule of Prior Audit Findings	24

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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, 2007 and 2006. 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.

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, 2007 and 2006 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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006. 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.

The accompanying financial statements have been prepared assuming that the Township will continue as a going concern. As discussed in Note 9 to the financial statements, the Township had deficit balances in the General Fund for 2006 and 2007. The existence of a deficit balance in the General Fund raises substantial doubt about the Township's ability to continue as a going concern. Management's plan in regards to these financial difficulties is described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2008, 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.
July 25, 2008

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, 2007

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and other local taxes	\$ 19,177	\$ -	\$ -	\$ 19,177
Licenses, permits and fees	400	-		400
Intergovernmental	17,916	91,545		109,461
Earnings on investments	1,655	-	-	1,655
Miscellaneous	1,213	-	-	1,213
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	40,361	91,545	-	131,906
Cash Disbursements:				
Current:				
General government	61,878			61,878
Public safety	2,055			2,055
Public works	-	36,586		36,586
Health	12,581	-	376	12,957
Capital Outlay:	2,520	-	-	2,520
Debt Service:				
Redemption of Principal	-	3,270	-	3,270
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	79,034	39,856	376	119,266
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts over/(under) disbursements	(38,673)	51,689	(376)	12,640
Other financing receipts/(disbursements):				
Transfers-in		-		-
Transfers-out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing receipts/(disbursements)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(38,673)	51,689	(376)	12,640
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Fund cash balances January 1, 2007	\$ (29,615)	\$ 106,061	\$ 2,002	\$ 78,448
Fund cash balances, December 31, 2007	<u>\$ (68,288)</u>	<u>\$ 157,750</u>	<u>\$ 1,626</u>	<u>\$ 91,088</u>
Reserve for encumbrance, December 31, 2007	<u>\$ -</u>	<u>\$ 15,589</u>	<u>\$ -</u>	<u>\$ 15,589</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, 2006

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 13,882	\$ -	\$ -	\$ 13,882
Licenses, Permits, and Fees	220	-	-	220
Intergovernmental	20,949	92,576	-	113,525
Earnings on Investments	1,366	-	340	1,706
Miscellaneous	24	-	-	24
Total Cash Receipts	36,441	92,576	340	129,357
Cash Disbursements:				
Current:				
General government	61,143	1,727	-	62,870
Public Safety	5,859	-	-	5,859
Public Works	-	58,897	-	58,897
Health	13,088	-	-	13,088
Operating Cash Disbursements:				
Supplies & Materials				-
Capital Outlay:				
Debt Service:				
Redemption of Principal	-	3,270	-	3,270
Total Cash Disbursements	80,090	63,894	-	143,984
Total receipts over/(under) disbursements	(43,649)	28,682	340	(14,627)
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	(43,649)	28,682	340	(14,627)
Fund cash balances, January 1, 2006	\$ 14,034	\$ 77,379	\$ 1,662	\$ 93,075
Fund cash balances, December 31, 2006	\$ (29,615)	\$ 106,061	\$ 2,002	\$ 78,448
Reserve for encumbrance, December 31, 2006	\$ -	\$ -	\$ -	\$ -

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, 2007 and 2006**

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. Cash and Investments

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.

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:

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Fund Accounting, Continued

2. Special Revenue Funds, Continued

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.

3. 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.

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 for 2007.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Budgetary Process, Continued

3. Encumbrances

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

A summary of 2007 and 2006 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>2007</u>	<u>2006</u>
Demand deposits	\$ 19,490	\$ 6,959
Savings	42,009	43,174
Certificates of deposits	<u>29,588</u>	<u>28,315</u>
Total Deposits	\$ 91,087	\$ 78,448

Deposits: Savings accounts held in a bank during 2006 were insured by the Federal Depository Insurance Corporation. Deposits held in a credit union are insured by the National Credit Union Share Insurance Fund. Deposits held in the credit union that are in excess of \$100,000 were not insured which violates the requirements of the Ohio Rev. Code Section 135.18.

The Township maintained some of its deposits in a credit union which is not an eligible depository per Ohio Rev. Code Section 135.03.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

3. BUDGETARY ACTIVITY

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 0	\$ 40,361	\$ 40,361
Special Revenue	0	91,545	91,545
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 131,906</u>	<u>\$ 131,906</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 99,570	\$ 79,034	\$ 20,536
Special Revenue	97,489	55,445	42,044
Permanent	<u>490</u>	<u>376</u>	<u>114</u>
Total	<u>\$ 197,549</u>	<u>\$ 134,855</u>	<u>\$ 62,694</u>

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 48,026	\$ 36,441	(\$ 11,585)
Special Revenue	109,535	92,576	(16,959)
Permanent	<u>1,662</u>	<u>340</u>	<u>(1,322)</u>
Total	<u>\$ 159,223</u>	<u>\$ 129,357</u>	<u>(\$ 29,866)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 146,510	\$ 80,090	\$ 66,420
Special Revenue	100,020	63,894	36,126
Permanent	<u>490</u>	<u>0</u>	<u>490</u>
Total	<u>\$ 247,020</u>	<u>\$ 143,984</u>	<u>\$ 103,036</u>

The appropriations exceeded the total estimated revenue by \$98,484 for the General Fund and \$2,637 for the Motor Vehicle Fund for 2006.

Estimated resources were not certified by the Township for 2007.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

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.

The Township's resolution authorizing the necessary tax levies for 2007 were certified to the county auditor after the October 1, 2006 deadline.

5. DEBT

Debt outstanding was as follows:

December 31, 2007	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	<u>\$11,445</u>	0%
Total	<u>\$11,445</u>	
December 31, 2006	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	<u>\$14,715</u>	0%
Total	<u>\$14,715</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>
2008	\$3,270
2009	3,270
2010	3,270
2011	1,635

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

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 2007 and 2006, OPERS members contributed 9.5 and 9.0 percent, respectively, of their gross salaries. The Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries.

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.

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 \$25,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, 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.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

8. RISK MANAGEMENT, Continued

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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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, 2006 and 2005 (the latest information available).

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained Earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,406,031)
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

8. RISK MANAGEMENT, Continued

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 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 958 member townships in the future, as of December 31, 2006 and 2005, respectively. 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 \$5,000. 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>
2005	\$4,319
2006	\$4,373
2007	\$3,441

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, 2006 and 2007 the Township had deficit balances in the General Fund of (\$29,615) and (\$68,288), respectively. 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.

**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, 2007 and 2006, and have issued our report thereon dated July 25, 2008, 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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting 2007-001 through 2007-013.

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 2007-001 through 2007-013 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 2007-001 through 2007-013. We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated July 25, 2008.

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.
July 25, 2008

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

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

FINDING NUMBER 2007-001

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705-39, provides that total appropriations from each fund shall not exceed the total estimated resources.

During 2006, appropriations exceeded estimated resources in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2006	General	\$ 48,026	\$ 146,510	(\$ 98,484)
2006	Motor Vehicle	9,863	12,500	(2,637)

During 2007, the Township did not certify estimated resources with the county auditor. Therefore, appropriations exceeded estimated resources for all funds:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2007	General	\$ 0	\$ 99,570	(\$ 99,570)
2007	Motor Vehicle	0	12,500	(12,500)
2007	Gasoline	0	69,400	(69,400)

This resulted from the Township not appropriately monitoring budgetary status and could result in overspending of Township funds. We recommend the Township monitor the original permanent appropriations, as well as any amendments, to ensure that appropriations do not exceed estimated resources.

Officials' Response:

Due to the illness of Fiscal Officer Trustees were not aware of any problem. Township is taking appropriate steps to fix problem.

FINDING NUMBER 2007-002

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 2007 on October 7, 2006 and certified them to the county auditor on November 17, 2006. Both actions were after the October 1 deadline. The Township was in compliance for 2006.

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 2007 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:

Township is taking appropriate steps to fix problems.

FINDING NUMBER 2007-003

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02(D) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirement and prepare financial statements.

During 2006 and 2007, the Township's receipts and expenditures were not always posted into accurate receipt or expenditure classifications, based upon the source of the receipt or purpose of disbursement. This caused material adjustments to the accompanying financial statements.

The Township should exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. We recommend the Township utilize available authoritative resources to appropriately classify all receipt and expenditure transactions. In addition, the Township Fiscal Officer should provide a monthly report package, which includes a budget to actual receipt and disbursement activity, to the Trustees for review and approval. As part of its monitoring procedures, the Trustees should carefully review the financial activity included in the report package for proper classification. This will help more accurately reflect the Township's financial activity and will allow for more accurate financial reporting.

Officials' Response:

Township is taking appropriate steps to fix problems.

FINDING NUMBER 2007-004

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.

In 2007 and 2006, the Township held \$105,697 (98.6%) and \$91,088 (100%), respectively, of its deposits in checking, savings, and certificates of deposit at a local credit union which was not an eligible depository.

All Township deposits should be held in financial institutions that are eligible depositories under Code Section 135.03.

Officials' Response:

Township is taking steps to move money from Credit Union to a Bank by the end of 2008 when CD's mature.

FINDING NUMBER 2007-005

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 certified the available revenue for 2006 to the county auditor on March 26, 2006. The Township did not certify available revenue to the county auditor for 2007. Available revenues were posted to the accounting system for both 2006 and 2007.

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:

2008 budget was certified and steps have been taken to make sure it does not happen again.

FINDING NUMBER 2007-006

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 fewer monies than anticipated in 2006 for the General Fund. However, no reduced amended certificates were obtained, causing the Township to appropriate more than its available resources for these funds.

The Township should develop procedures to better 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:

With the change of the Fiscal Officer this will no longer be a problem.

FINDING NUMBER 2007-007

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02 (C) (1) state that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

For 2006, appropriations as reflected on the Uniform Accounting Network (UAN) system, did not agree to the annual appropriation resolution passed by the Trustees in January of 2006. The variances at year-end cannot be fully determined as the minutes of the Township only reflected one page of the Township's Appropriation Resolution 2006-01. There were differences between the approved appropriations listed in Resolution 2006-01 and the appropriations as posted to the UAN by account.

Taylor Creek Township
Hardin County
Schedule of Findings, Continued

We recommend the Township develop procedures to ensure all resolutions passed are fully documented. The Township should also develop procedures to ensure that all appropriation measures approved by the Board of Trustees are posted to the accounting system.

Officials' Response:

Proper resolutions are being made now, new fiscal officer is aware of this.

FINDING NUMBER 2007-008

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2006, we noted instances where expenditures exceed appropriations for individual appropriation line items. The majority of these variances resulted from the posting of audit adjustments necessary to agree approved appropriations to amounts posted to the appropriations ledger.

During 2007, expenditures did not exceed appropriations by fund. However, we noted instances where expenditures exceed appropriations for individual appropriation line items. The majority of these variances resulted from the posting of audit adjustments necessary to agree approved appropriations to amounts posted to the appropriations ledger.

We recommend the Township monitor expenditures and approved appropriations and take the necessary steps to approve supplemental appropriations as needed throughout the year. The Fiscal Officer should not make any payments until the necessary supplemental appropriations have been approved.

Officials' Response:

Township is taking appropriate steps to fix problem

FINDING NUMBER 2007-009

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to required repayment within the current or succeeding year.

Auditor of State Audit Bulletin 97-003 sets forth the requirements regarding inter-fund advances, and states, in part, that cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violated any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

During 2006, advances in the amount of \$16,298 were recorded from the Gasoline Fund to the General Fund. These advances do not meet the requirements as stated above for two reasons, 1) there was no formal approval from the Board of Trustees and 2) the Gasoline Fund and the General Fund do not have the same fund purpose.

During 2007, advances in the amount of \$30,000 were recorded from the Gasoline Fund to the General Fund. These advances do not meet the requirements as stated above for two reasons, 1) there was no formal approval from the Board of Trustees and 2) the Gasoline Fund and the General Fund do not have the same fund purpose.

An adjustment has been made to 2006 and 2007 to remove the advances recorded in the accounting system in the amounts of \$16,298 and \$30,000 respectively.

Officials’ Response:

Trustees were not aware of any transfers made by Dave Howard.

FINDING NUMBER 2007-010

Noncompliance/Material Weakness

Ohio Rev. Code 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, ORC 505.24(C) does not prescribe a “documentation of time spent” requirement. However, for salaries not paid from the general fund, 2004 Op. Atty. Gen. No. 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the type of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as Trustees document all time spent on township business and the type of service performed, in a manner similar to Trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from funds other than the General Fund.

During 2006, \$13,130 of the Trustees’ salaries, taxes and OPERS was paid from the Gasoline Tax Fund. The Trustees did not starting documenting their time spent on the Township business and the type of service performed. This resulted in the following audit adjustment that is included in the accompanying financial statements:

<u>Fund</u>	<u>Function</u>	<u>Debit</u>	<u>Credit</u>
General	General Government	\$13,130	
Motor Vehicle	General Government		\$6,658
Gasoline Tax	General Government		\$6,472

During 2007, \$13,341 of the Trustees’ salaries, taxes and OPERS was paid from the Gasoline Tax Fund. The Trustees did not starting documenting their time spent on the Township business and the type of service performed. This resulted in the following audit adjustment that is included in the accompanying financial statements:

<u>Fund</u>	<u>Function</u>	<u>Debit</u>	<u>Credit</u>
General	General Government	\$13,341	
Motor Vehicle	General Government		\$7,293
Gasoline Tax	General Government		\$6,048

Resolutions to pay Trustees by salary should specify how the Township will allocate salaries based on documentation the Trustees submit, not based on percentages a resolution specifies. In addition, the Trustees should submit, at least on an annual basis, documentation indicating the hours and type of service performed to support their salary allocation.

Officials’ Response:

Our county prosecutor is working on this for Hardin Co.

FINDING NUMBER 2007-011

Material Weakness

Bank Reconciliations

The Township's monthly bank reconciliations were not properly performed by the Fiscal Officer during 2006 and part of 2007. The outstanding check amounts shown at December 31, 2006 were incorrect. We noted during our testing of cash that the Township's bank reconciliations were corrected during 2007 and the December 31, 2007 outstanding checks were accurate.

Monthly bank reconciliations are a basic control to verify accuracy and completeness of the Township's recording of current receipts and expenditures. The failure to maintain accurate monthly bank reconciliations increases the possibility the Township's management would not promptly detect misspostings or funds being diverted, lost, or stolen.

Officials' Response:

Trustees became aware of the problem and took care of the situation.

FINDING 2007-012

Noncompliance/Material Weakness

Ohio Revised Code Section 5705-10 requires money paid into any fund shall be used only for the purpose for which such fund is established. Deficit fund balances denote that other funds' monies were used to cover expenditures. The General Fund had deficit balances of \$28,034 at December 31, 2006 and \$66,708 at December 31, 2007. Both deficit balances result from audit adjustments made for General Fund disbursements that were originally posted to the Motor Vehicle and Gasoline Fund, audit adjustments made for Trustee salaries that were originally posted to the Motor Vehicle and Gasoline Fund, and audit adjustments made for incorrect advances made to the General Fund from the Gasoline Fund.

We recommend the Fiscal Officer and Trustees monitor revenue postings to the funds in order to detect and correct posting errors timely.

Officials' Response:

See response to finding 2007 – 009 and 2007 -010.

FINDING 2007-013

Noncompliance/Material Weakness

Ohio Rev. Code Section 135.18 provides that the treasurer of a political subdivision must require that depository to provide security equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The credit union, in which the Township held 98.6% of its deposits at December 31, 2006 and 100% of its deposits at December 31, 2007, did not provide security in an amount equal to the funds on deposit in excess of the \$100,000 coverage provided by the National Credit Union Share Insurance Fund. During 2006 and 2007, there were eight months in which the Township's month-end bank balance exceeded \$100,000 by amounts between \$3,201 and \$9,842.

The Township should maintain its deposits in an eligible banking institution that provides security in an amount equal to the funds on deposits at all times.

Officials' Response:

New Fiscal officer will watch fund amount.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY
SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.39, Appropriations shall not exceed estimated resources	No	Reissued as Finding 2007-001
2005-002	Ohio Rev. Code Section 5705.34, Certifying tax levies to county	No	Reissued as Finding 2007-002
2005-003	Bank reconciliations	No	Reissued as Finding 2007-011



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
DECEMBER 24, 2008**