

**Taylor Creek Township
Hardin County, Ohio
Financial Statements
December 31, 2005 and 2004**



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, 2004 through December 31, 2005. 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

June 15, 2007

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Taylor Creek Township
Hardin County, Ohio

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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, 2005 and 2004. 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.

Revision to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004, 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2007, 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 and Associates, Ltd.
March 23, 2007

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, 2005

	<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	\$ 16,525	\$ -	\$ -	\$ 16,525
Licenses, permits and fees	755	-		755
Intergovernmental	15,594	89,340		104,934
Earnings on investments	-	-	-	-
Miscellaneous	108	-	-	108
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	32,982	89,339	-	122,322
Cash Disbursements:				
Current:				
General government	38,399			38,399
Public safety	5,694			5,694
Public works	-	60,325		60,325
Health	6,004	-		6,004
Capital Outlay:	-	-	-	-
Debt Service:				
Redemption of Principal	-	3,270	-	3,270
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	50,097	63,595	-	113,693
Total receipts over/(under) disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(17,114)	25,744	-	8,629
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	(17,114)	25,744	-	8,629
Fund cash balances January 1, 2005	\$ 31,148	\$ 51,635	\$ 1,662	\$ 84,445
Fund cash balances, December 31, 2005	<u>\$ 14,034</u>	<u>\$ 77,379</u>	<u>\$ 1,662</u>	<u>\$ 93,074</u>
Reserve for encumbrance, December 31, 2005	<u>\$ 491</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ 675</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, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 14,032	\$ -		\$ 14,032
Licenses, Permits, and Fees	900	-		900
Intergovernmental	18,562	76,030		94,592
Earnings on Investments	893	39	-	932
Miscellaneous	-	-	-	-
Total Cash Receipts	34,387	76,069	-	110,456
Cash Disbursements:				
Current:				
General government	39,464	-		39,464
Public Safety	300			300
Public Works	-	66,316		66,316
Health	7,276	-	-	7,276
Operating Cash Disbursements:				
Supplies & Materials			20	20
Capital Outlay:	1,240	990		2,230
Debt Service:				
Redemption of Principal	-	3,270	-	3,270
Total Cash Disbursements	48,280	70,576	20	118,876
Total receipts over/(under) disbursements	(13,893)	5,493	(20)	(8,420)
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	(13,893)	5,493	(20)	(8,420)
Fund cash balances, January 1, 2004	\$ 45,041	\$ 46,142	\$ 1,682	\$ 92,865
Fund cash balances, December 31, 2004	\$ 31,148	\$ 51,635	\$ 1,662	\$ 84,445
Reserve for encumbrance, December 31, 2004	\$ -	\$ -	\$ -	\$ -

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, 2005 AND 2004**

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 contracts with Richland Township, Logan County to provide fire services to its residents.

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, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Fund Accounting, Continued

2. Special Revenue Funds, Continued

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

Motor Vehicle License Tax Fund - This fund is used to receive tax money for maintaining and repairing township roads.

Cemetery Fund - This fund is used to receive money and fees from the sale of lots, grave openings and grave closings for the purpose of maintaining and operating the Township cemeteries.

3. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant fiduciary funds:

Cemetery Bequest Funds – these funds account for resources restricted by legally binding agreements.

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.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

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 2005 and 2004 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>2005</u>	<u>2004</u>
Demand deposits	\$ 918	\$ 13,220
Savings	63,133	39,633
Certificates of deposit	<u>29,023</u>	<u>31,592</u>
Total Deposits	<u>\$ 93,074</u>	<u>\$ 84,445</u>

Deposits

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

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

3. BUDGETARY ACTIVITY

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 66,741	\$ 32,982	\$ (33,759)
Special Revenue	126,969	89,340	(37,629)
Nonexpendable Trust	<u>1,662</u>	<u>-</u>	<u>(1,662)</u>
Total	<u>\$ 195,372</u>	<u>\$ 122,322</u>	<u>\$ (73,050)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 98,520	\$ 50,097	\$ 48,423
Special Revenue	76,900	63,595	13,305
Nonexpendable Trust	<u>90</u>	<u>-</u>	<u>90</u>
Total	<u>\$ 175,510</u>	<u>\$ 113,692</u>	<u>\$ 61,818</u>

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 79,015	\$ 34,387	\$ (44,628)
Special Revenue	109,086	76,069	(33,017)
Capital Projects	10,000	-	(10,000)
Fiduciary	<u>1,682</u>	<u>-</u>	<u>(1,682)</u>
	<u>\$ 199,783</u>	<u>\$ 110,456</u>	<u>\$ (89,327)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 105,620	\$ 48,280	\$ 57,340
Special Revenue	136,800	70,576	66,224
Capital Projects	40,259	-	40,259
Fiduciary	<u>90</u>	<u>20</u>	<u>70</u>
	<u>\$ 282,769</u>	<u>\$ 118,876</u>	<u>\$ 163,893</u>

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

4. PROPERTY TAXES

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due February 28. The second half payment is due the following July 20.

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

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

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

5. DEBT

Debt outstanding was as follows:

December 31, 2005	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	<u>\$17,985</u>	0%
Total	<u>\$17,985</u>	
December 31, 2004	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	<u>\$21,255</u>	0%
Total	<u>\$21,255</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>
2006	\$3,270
2007	3,270
2008	3,270
2009	3,270
2010	3,270
2011-2015	1,635

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

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. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

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

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

OTARMA retains casualty risks up to \$250,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. Townships can elect additional coverage, from \$2 million to \$12 million with the General Reinsurance Corporation, through contacts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$56 million per year, subject to a per-claim limit of \$2 million.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

8. RISK MANAGEMENT, Continued

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMS'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.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claimed and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

8. RISK MANAGEMENT, Continued

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 30,485,638	\$ 28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained Earnings	<u>\$ 18,141,062</u>	<u>17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	(1,406,031)	(543,176)
Retained Earnings	<u>\$ 7,771,765</u>	<u>7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately less than \$10,000.



TaylorApplegateHughes
AND ASSOCIATES, LTD

CERTIFIED PUBLIC
ACCOUNTANTS +
BUSINESS ADVISORS

Keith O. Applegate, CPA

Kathleen M. Hughes, CPA

Richard R. Taylor, CPA
(1931-1998)

Julie L. Griffin, CPA

Kristi L. Leeth, CPA

Valerie Friley Walker, CPA

Sara M. Bratka, CPA

**Independent Auditors' Report on Internal Control over Financial
Reporting and On Compliance and Other Matters Required By
*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, 2005, and December 31, 2004, and have issued our report thereon dated March 23, 2007, 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. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 2005-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also

629 E. High Street phone 937.325.1538
Springfield, Ohio 45505 fax 937.325.8242
cpa@applegatehughes.com

considered material weaknesses. We consider item 2005-3 to be a material weakness. In a separate letter to the Township's management dated March 23, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 2005-01 through 2005-02. We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated March 23, 2007.

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

Taylor, Applegate, Hughes and Associates, Ltd.
March 23, 2007

**TAYLOR CREEK TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-01

Noncompliance Citation

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

During 2005 and 2004, appropriations exceeded estimated resources in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2005	General	\$ 66,741	\$ 98,520	(\$ 31,779)
2005	Motor Vehicle	12,280	12,500	(220)
2004	General	79,015	105,620	(26,605)
2004	Motor Vehicle	12,009	53,400	(41,391)
2004	Capital Project-Issue II	10,000	40,259	(30,259)

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.

FINDING NUMBER 2005-02

Noncompliance Citation

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 2004 on February 7, 2004, after the October 1 deadline. The Township was in compliance for 2005.

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 2004 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.

FINDING NUMBER 2005-03

Reportable Condition

Bank Reconciliations

During our testing of cash, we became aware the cash accounts are not being correctly reconciled. We determined checks in the amount of \$6,885.94 are showing on the outstanding check list but were actually voided. Several deposits over the two year audit period were deposited into the savings account but cleared in the UAN as if they were deposited into the checking account. Transfers to and from the savings were not booked. Interest income was not booked in 2005. The Uniform Accounting Network (UAN) support staff can assist in clearing up past discrepancies.



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
JUNE 28, 2007**