



OHIO AUDITOR OF STATE
KEITH FABER



**TURTLECREEK TOWNSHIP
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018.....	3
Notes to the Basic Financial Statements For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017.....	13
Notes to the Basic Financial Statements For the Year Ended December 31, 2017	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Turtlecreek Township
Warren County
670 N. State Route 123
Lebanon, Ohio 45036

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Turtlecreek Township, Warren County, (the Township) as of and for the years ended December 31, 2018 and 2017.

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2018 and 2017, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Turtlecreek Township, Warren County as of and for the years ended December 31, 2018 and 2017 in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

September 19, 2019

TURTLECREEK TOWNSHIP, WARREN COUNTY
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
For the Year Ended December 31, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$237,772	\$2,327,077	\$2,564,849
Charges for Services	0	415,815	415,815
Licenses, Permits and Fees	125,994	2,125	128,119
Intergovernmental	409,287	497,372	906,659
Special Assessments	0	44,379	44,379
Earnings on Investments	330,355	16,756	347,111
Miscellaneous	25,223	71,193	96,416
<i>Total Cash Receipts</i>	<u>1,128,631</u>	<u>3,374,717</u>	<u>4,503,348</u>
Cash Disbursements			
Current:			
General Government	593,730	781	594,511
Public Safety	14,559	1,770,980	1,785,539
Public Works	0	860,573	860,573
Health	13,264	501	13,765
Conservation-Recreation	887	0	887
Other	0	28,370	28,370
Capital Outlay	0	1,059,145	1,059,145
<i>Total Cash Disbursements</i>	<u>622,440</u>	<u>3,720,350</u>	<u>4,342,790</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>506,191</u>	<u>(345,633)</u>	<u>160,558</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	200,000	0	200,000
Transfers In	0	100,000	100,000
Transfers Out	(100,000)	0	(100,000)
Other Financing Uses	(23)	(51,039)	(51,062)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>99,977</u>	<u>48,961</u>	<u>148,938</u>
<i>Net Change in Fund Cash Balances</i>	<u>606,168</u>	<u>(296,672)</u>	<u>309,496</u>
<i>Fund Cash Balances, January 1</i>	<u>\$6,879,846</u>	<u>\$9,416,272</u>	<u>\$16,296,118</u>
Fund Cash Balances, December 31			
Restricted	0	9,119,600	9,119,600
Assigned	7,486,014	0	7,486,014
Unassigned (Deficit)	0	0	0
	<u>7,486,014</u>	<u>9,119,600</u>	<u>16,605,614</u>
<i>Fund Cash Balances, December 31</i>	<u><u>7,486,014</u></u>	<u><u>9,119,600</u></u>	<u><u>16,605,614</u></u>

See accompanying notes to the basic financial statements

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Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

Turtlecreek Township, Warren County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer. Township officials are elected to serve 4 year terms.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The primary government of the Township provides the following services to its citizens: general government services, maintenance of Township roads and bridges, fire protection, emergency medical services, and cemetery maintenance.

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary.

General The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

Fire Dept. Special Levy Fund – The fire fund accounts for and reports property tax levy for equipment, firefighter compensation, and other operating expenses of the Township’s Fire department.

Ambulance Special Levy Fund – The EMS fund receives property tax money for purchases of equipment, EMS personnel compensation, and operating expenses of the Township’s EMS department.

EMS/Fire Special Levy Fund – The EMS/Fund accounts for and reports property tax levy for equipment, firefighter compensation, EMS compensation, and other operating expenses of the Township’s Fire/EMS department.

Public Works Commission Project Fund The public works commission project fund accounts for and reports State OPWC grant money restricted for the purpose of improving Township infrastructure.

The other governmental funds of the Township account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.)

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2018 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

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:

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

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.

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.

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$786,273	\$1,328,633	\$542,360
Special Revenue	3,249,326	3,474,716	225,390
Total	\$4,035,599	\$4,803,349	\$767,750

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,651,122	\$723,774	\$6,927,348
Special Revenue	12,518,715	3,774,713	8,744,002
Total	\$20,169,837	\$4,498,487	\$15,671,350

Note 4 – Deposits and Investments

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

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	2018
Demand deposits	\$133,650
Total deposits	133,650
STAR Ohio	16,471,964
Total investments	16,471,964
Total deposits and investments	\$16,605,614

Deposits

Some of the Townships deposits are insured by the Federal Deposit Insurance Corporation; and/or collateralized by securities specifically pledged by the financial institution to the Township.

During 2018 the remainder of the Townships deposits were collateralized by the Financial Institution's public entity deposit pool. The Financial Institution joined OPCS and the Townships deposits are now collateralized by the Ohio Pooled Collateral System.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 4 – Property Taxes

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 by the last Wednesday in February. The second half payment is due the last Wednesday in July.

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

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

Note 5 – Interfund Balances and Transfers

Transfers

During 2018, the General Fund transferred \$100,000 to the Road and Bridge special revenue fund to provide additional resources. The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Non-routine transfers from the Major Special Revenue Fund and other non-major governmental funds were in compliance with Ohio Revised Code to

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

either make debt payments or for designated projects.

Note 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees. During 2018, the Township contracted with several companies for various types of insurance coverage as follows:

Type of	Coverage	Deductible
Ohio Township Association Risk Management		
Blanket Property and Contents, Replacement	\$7,275,048	\$500
General Liability	3,000,000	0
Automobile Liability	250,000	250
Public Officials Liability	3,000,000	1,000
Employment Practice Liability	3,000,000	1,000
Computer - Hardware	100,000	250
Computer - Software	50,000	250
Public Employee Dishonesty		
Money and Securities	10,000	0
The Cincinnati Insurance Company		
Umbrella Excess Liability	\$1,000,000	\$5,000

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Approximately 40 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 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2018</i>	<i>10%</i>	<i>14%</i>

Social Security

Turtlecreek Township’s volunteer firefighter employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

TURTLECREEK TOWNSHIP, WARREN COUNTY
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$227,826	\$2,250,167	\$2,477,993
Charges for Services	0	431,069	431,069
Licenses, Permits and Fees	106,329	3,100	109,429
Intergovernmental	352,212	499,081	851,293
Special Assessments	0	46,124	46,124
Earnings on Investments	161,263	7,507	168,770
Miscellaneous	361,013	96,338	457,351
<i>Total Cash Receipts</i>	<u>1,208,643</u>	<u>3,333,386</u>	<u>4,542,029</u>
Cash Disbursements			
Current:			
General Government	765,344	661	766,005
Public Safety	14,559	1,599,192	1,613,751
Public Works	0	865,094	865,094
Health	13,050	380	13,430
Conservation-Recreation	2,072	0	2,072
Other	0	23,662	23,662
Capital Outlay	0	252,526	252,526
<i>Total Cash Disbursements</i>	<u>795,025</u>	<u>2,741,515</u>	<u>3,536,540</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>413,618</u>	<u>591,871</u>	<u>1,005,489</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	0	6,050	6,050
Transfers In	0	100,000	100,000
Transfers Out	(100,000)	0	(100,000)
Other Financing Uses	(6,615)	(22,864)	(29,479)
	<u>(106,615)</u>	<u>83,186</u>	<u>(23,429)</u>
<i>Net Change in Fund Cash Balances</i>	<u>307,003</u>	<u>675,057</u>	<u>982,060</u>
<i>Fund Cash Balances, January 1</i>	<u>\$6,572,843</u>	<u>\$8,741,215</u>	<u>\$15,314,058</u>
Fund Cash Balances, December 31			
Restricted	0	9,416,272	9,416,272
Assigned	6,879,846	0	6,879,846
Unassigned (Deficit)	0	0	0
<i>Fund Cash Balances, December 31</i>	<u>6,879,846</u>	<u>9,416,272</u>	<u>16,296,118</u>

See accompanying notes to the basic financial statements

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Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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The other governmental funds of the Township account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.)

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

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:

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

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.

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.

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*

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$632,199	\$1,208,642	\$576,443
Special Revenue	3,158,873	3,439,434	280,561
Total	\$3,791,072	\$4,648,076	\$857,003

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,192,733	\$901,639	\$6,291,094
Special Revenue	11,846,718	2,767,839	9,078,879
Total	\$19,039,451	\$3,669,478	\$15,369,972

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$370,935
Certificates of deposit	2,000,000
Total deposits	2,370,935
STAR Ohio	13,925,184
Total deposits and investments	\$16,296,119

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Deposits

Some of the Townships deposits are insured by the Federal Deposit Insurance Corporation; and/or collateralized by securities specifically pledged by the financial institution to the Township.

During 2017 the remainder of the Townships deposits were collateralized by the Financial Institution's public entity deposit pool. The Financial Institution joined OPCS and the Townships deposits are now collateralized by the Ohio Pooled Collateral System.

Investments

A financial institution's trust department holds the Township's equity securities in book entry form in the Township's name.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 4 – Property Taxes

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.

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

Note 5 – Interfund Balances and Transfers

Transfers

During 2017, the General Fund transferred \$100,000 to the Road and Bridge special revenue fund to provide additional resources. The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Non-routine transfers from the Major Special Revenue Fund and other non-major governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated projects.

Note 6 – Risk Management

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

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

During 2017, the Township contracted with several companies for various types of insurance coverage as follows:

Type of	Coverage	Deductible
Ohio Township Association Risk Management		
Blanket Property and Contents, Replacement	\$7,440,809	\$500
General Liability	3,000,000	0
Automobile Liability	250,000	250
Public Officials Liability	3,000,000	1,000
Employment Practice Liability	3,000,000	1,000
Computer - Hardware	100,000	250
Computer - Software	50,000	250
Public Employee Dishonesty		
Money and Securities	10,000	0
The Cincinnati Insurance Company		
Umbrella Excess Liability	\$1,000,000	\$5,000

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Approximately 40 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 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2017</i>	<i>10%</i>	<i>14%</i>

Social Security

Turtlecreek Township’s volunteer firefighter employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

Turtlecreek Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

Note 9 – Public Entity Risk Pool

Ohio Township Association Risk Management Authority

The Township is a member of the Ohio Township Association Risk Management Authority, a risk sharing pool. For more information on OTARMA, see note 6.

OHIO AUDITOR OF STATE KEITH FABER



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

Turtlecreek Township
Warren County
670 N. State Route 123
Lebanon, Ohio 45036

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 the cash balances, receipts, and disbursements by fund type of the Turtlecreek Township, Warren County, (the Township as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statement, and have issued our report thereon dated September 19, 2019 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 19, 2019

**TURTLECREEK TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54 and Auditor of State Bulletin 2011-004.

The following conditions were identified relating to the above criteria:

- In 2017, assigned fund balance was understated by \$6,864,849 In the General Fund due to appropriations exceeding estimated receipts for the following year
- In 2018, assigned fund balance was understated by \$7,475,238 in the General Fund due to appropriations exceeding estimated receipts for the following year
- In 2018, assigned fund balance was understated by \$4,692 due to encumbrances in the General Fund

The financial statements have been adjusted for these errors.

Failure to accurately post financial activity can lead to misstatements in financial reporting and fund balances.

We recommend the Township review the requirements of GASB 54 and exercise due care when posting entries to the financial records and financial statement preparation.

Officials' Response:

The Fiscal Officer understands that if the General Fund balance is included as a budgetary resource that amount should be classified as assigned. This measure will be enacted for the future.

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OHIO AUDITOR OF STATE KEITH FABER



TURTLECREEK TOWNSHIP

WARREN 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 15, 2019**