



**Auditor of State
Betty Montgomery**

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Turtle Creek Township
Shelby County
8347 State Route 705
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of Turtle Creek Township (the Township) as of and for the years ended December 31, 2002 and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Turtle Creek Township
Shelby County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 27, 2003

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$17,480	\$38,255	\$55,735
Special Assessments		551	551
Intergovernmental Receipts	59,301	65,076	124,377
Licenses, Fees and Permits	5,558	31,523	37,081
Earnings on Investments	619	133	752
Miscellaneous	928	680	1,608
	<u>83,886</u>	<u>136,218</u>	<u>220,104</u>
Total Cash Receipts			
	<u>83,886</u>	<u>136,218</u>	<u>220,104</u>
Cash Disbursements:			
Current:			
General Government	59,711		59,711
Public Works		86,932	86,932
Health	5,148	37,387	42,535
Capital Outlay	2,000		2,000
	<u>66,859</u>	<u>124,319</u>	<u>191,178</u>
Total Cash Disbursements			
	<u>66,859</u>	<u>124,319</u>	<u>191,178</u>
Total Receipts Over/(Under) Disbursements	<u>17,027</u>	<u>11,899</u>	<u>28,926</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		4,771	4,771
Transfers-Out	(4,771)		(4,771)
	<u>(4,771)</u>	<u>4,771</u>	<u></u>
Total Other Financing Receipts/(Disbursements)			
	<u>(4,771)</u>	<u>4,771</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,256	16,670	28,926
Fund Cash Balances, January 1	<u>11,167</u>	<u>14,472</u>	<u>25,639</u>
Fund Cash Balances, December 31	<u>\$23,423</u>	<u>\$31,142</u>	<u>\$54,565</u>
Reserves for Encumbrances, December 31	<u>\$5,000</u>	<u>\$7,500</u>	<u>\$12,500</u>

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

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Fiduciary Fund</u>
	<u>Agency</u>
Operating Cash Disbursements:	
Purchased Services	\$60,000
Non-Operating Cash Receipts:	
Intergovernmental Receipts	<u>60,000</u>
Total Receipts Over/(Under) Disbursements	
Fund Cash Balance, January 1	<u> </u>
Fund Cash Balance, December 31	<u><u>\$0</u></u>

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

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$18,029	\$37,652	\$55,681
Special Assessments		562	562
Intergovernmental Receipts	38,380	64,192	102,572
Licenses, Fees and Permits	3,816	27,420	31,236
Earnings on Investments	789	187	976
Miscellaneous	552	976	1,528
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	61,566	130,989	192,555
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	53,008		53,008
Public Works	19,128	106,486	125,614
Health	4,914	26,902	31,816
Capital Outlay	4,475		4,475
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	81,525	133,388	214,913
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(19,959)	(2,399)	(22,358)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Advances-In	4,500	4,500	9,000
Advances-Out	(4,500)	(4,500)	(9,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)			
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,959)	(2,399)	(22,358)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	31,126	16,871	47,997
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$11,167	\$14,472	\$25,639
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Fiduciary Fund</u>
	<u>Agency</u>
Operating Cash Disbursements:	
Purchased Services	<u>\$128,561</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	<u>128,561</u>
Total Receipts Over/(Under) Disbursements	
Fund Cash Balance, January 1	<u> </u>
Fund Cash Balance, December 31	<u><u>\$0</u></u>

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

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Turtle Creek Township, Shelby County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Fort Loramie Fire Department to provide fire services and Fort Loramie Rescue Squad to provide ambulance services.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township has an interest bearing checking account.

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 the general operating fund. It is used to account for 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:

Motor Vehicle Tax Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cemetery Fund – This fund receives money from sale of cemetery lots, grave openings and closings.

Lighting Assessment Fund- This fund receives money from a special assessment levied against Township property owners to provide street lighting for residents.

3. Fiduciary Funds (Trust and Agency Funds)

This fund is used to account for resources for which the Township is acting in an agency capacity. The Township had the following significant agency fund:

Multi-Township Road Project Fund – This fund accounts for money received from Cynthian and Washington Townships for a joint road work project.

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 of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2002 and 2001 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.

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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:

	2002	2001
Demand deposits	\$54,565	\$25,639

Deposits: Deposits are insured by the Federal Depository Insurance Corporation,.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,370	\$83,886	\$6,516
Special Revenue	138,399	140,989	2,590
Fiduciary	60,000	60,000	0
Total	\$275,769	\$284,875	\$9,106

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,252	\$76,630	(\$19,378)
Special Revenue	152,118	131,819	20,299
Fiduciary	0	60,000	(60,000)
Total	\$209,370	\$268,449	(\$59,079)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,010	\$61,566	(\$444)
Special Revenue	104,861	130,989	26,128
Fiduciary	128,561	128,561	0
Total	\$295,432	\$321,116	\$25,684

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,806	\$81,525	(\$8,719)
Special Revenue	119,844	133,388	(13,544)
Fiduciary	0	128,561	(128,561)
Total	\$192,650	\$343,474	(\$150,824)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at legal level of control in the General Fund, Gasoline Tax Fund, Cemetery Fund, and Agency Fund in 2002 and General Fund, Cemetery Fund and Agency Fund in 2001. Also contrary to Ohio law, there were several instances of township funds committed for obligations prior to certification by the fiscal officer.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Bank Loan	1,573	0.775%
Total	\$1,573	

The bank loan was issued to finance the purchase of a new mower for Township cemetery maintenance.

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

	<u>Bank loan</u>
Year ending December 31:	
2003	<u>1,652</u>
Total	<u><u>\$1,652</u></u>

A lease was issued in 1997 to finance the purchase of a new truck. Final payment on the debt was made during calendar year 2001.

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance coverage to full-time employees through a private carrier.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Turtle Creek Township
Shelby County
8347 State Route 705
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of Turtle Creek Township (the Township) as of and for the years ended December 31, 2002 and December 31, 2001 report hereon dated May 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 27, 2003.

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 provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 27, 2003.

Turtle Creek Township
Shelby County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 27, 2003

**TURTLE CREEK TOWNSHIP
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002- 001

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The amounts for the following funds represent the amounts by which expenditures exceeded appropriations at December 31, 2001 and December 31, 2002 at the fund/function/object level of control.

Fund/Function/Object Level – 2002	Appropriation	Expenditures	Excess
General Fund			
Other Miscellaneous	\$ 6,793	\$ 24,166	\$17,372
Operating Transfers Out	0	4,771	4,771
Cemetery Fund			
Other	\$18,713	\$20,639	\$1,926
Agency			
Contracted Services	\$ 0	\$60,000	\$60,000
Fund/Function/Object Level – 2001	Appropriation	Expenditures	Excess
General Fund			
Salary Clerk	\$8,414	\$9,416	\$1,002
PERS Compensation	5,500	6,177	677
Other-Miscellaneous	8,023	18,146	10,123
Gasoline Tax Fund			
Salaries- Trustees	\$18,684	\$19,914	\$1,230
Cemetery Fund			
Other	\$ 1,500	\$17,158	\$15,658
Salaries	3,000	14,245	11,245
Agency			
Contracted Services	\$ 0	\$128,561	\$128,561

Failure to adopt amended appropriations for an increase or decrease in allowable spending could result in expenditures being made in excess of actual funds available and result in deficit spending.

Procedures should be developed to compare actual expenditures to appropriations in order to identify when expenditures are nearing the level of appropriations and appropriate action needs to be taken. This can be accomplished through the review of the budget versus actual report generated by the system on a monthly basis.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Township did not comply with the certification requirements and did not fulfill the requirements of the exception for 11.64% of expenditures in 2001 and 5.19% in 2002. Failure to certify obligations prior to incurring the obligation could result in negative fund balances and/or deficit spending by the Township.

The Township should implement policies to comply with the certification requirement prior to incurring an obligation.



**Auditor of State
Betty Montgomery**

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TURTLE CREEK TOWNSHIP

SHELBY 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
AUGUST 19, 2003**