

BUTLER TOWNSHIP

DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

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725 5<sup>th</sup> Street  
Portsmouth, Ohio 45662





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Butler Township  
4060 Grubbs Rex Road  
Arcanum, Ohio 45304

We have reviewed the *Independent Auditor's Report* of Butler Township, Darke County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's 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 Auditor's 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. Butler Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 11, 2008

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**BUTLER TOWNSHIP  
DARKE COUNTY**

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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Butler Township  
Darke County  
4060 Grubbs Rex Road  
Arcanum, Ohio 45304

To the Board of Trustees:

We have audited the accompanying financial statements of Butler Township (the Township), Darke County, Ohio, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 this 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 effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of the December 31, 2007 and 2006, 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 years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

April 11, 2008

**BUTLER TOWNSHIP  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals
	General	Special Revenue	(Memorandum Only)
<b><u>Cash Receipts</u></b>			
Property and Other Taxes	\$ 33,195	\$ 79,244	\$ 112,439
Intergovernmental	34,130	104,656	138,786
Licenses, Permits and Fees	-	5,750	5,750
Earnings on Investments	3,529	317	3,846
Miscellaneous	740	1,820	2,560
Total Cash Receipts	<u>71,594</u>	<u>191,787</u>	<u>263,381</u>
<b><u>Disbursements:</u></b>			
General Government	55,336	3,932	59,268
Public Safety	-	50,822	50,822
Public Works	22,021	98,728	120,749
Public Health	6,403	3,650	10,053
Capital Outlay	250	5,900	6,150
Debt Service:			
Principal	-	9,868	9,868
Interest	-	418	418
Total Cash Disbursements	<u>84,010</u>	<u>173,318</u>	<u>257,328</u>
Total Receipts Over (Under) Disbursements	<u>(12,416)</u>	<u>18,469</u>	<u>6,053</u>
Fund Cash Balance, January 1	<u>61,044</u>	<u>83,912</u>	<u>144,956</u>
Fund Cash Balance December 31	<u>\$ 48,628</u>	<u>\$ 102,381</u>	<u>\$ 151,009</u>

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



**BUTLER TOWNSHIP  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b><u>Cash Receipts</u></b>			
Property and Other Taxes	\$ 37,500	\$ 80,743	\$ 118,243
Intergovernmental	82,511	92,014	174,525
Licenses, Permits and Fees	-	4,360	4,360
Earnings on Investments	366	366	732
Miscellaneous	1,191	1,218	2,409
Total Cash Receipts	<u>121,568</u>	<u>178,701</u>	<u>300,269</u>
<b><u>Disbursements:</u></b>			
General Government	72,802	1,535	74,337
Public Safety	-	42,534	42,534
Public Works	16,240	136,848	153,088
Public Health	4,800	5,673	10,473
Capital Outlay	181	-	181
Debt Service:			
Principal	-	9,466	9,466
Interest	-	820	820
Total Cash Disbursements	<u>94,023</u>	<u>196,876</u>	<u>290,899</u>
Total Receipts Over (Under) Disbursements	<u>27,545</u>	<u>(18,175)</u>	<u>9,370</u>
Fund Cash Balance, January 1	<u>33,499</u>	<u>102,087</u>	<u>135,586</u>
Fund Cash Balance December 31	<u>\$ 61,044</u>	<u>\$ 83,912</u>	<u>\$ 144,956</u>

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

**BUTLER TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Butler Township of Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides general government services, including street maintenance and fire protection.

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 basis of accounting. 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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 License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

Gasoline Tax Fund – This fund receives gasoline money for constructing, maintaining and repairing Township roads.

Fire District Fund – This fund receives the proceeds from a property tax levy to pay for fire protection services contracted through New Madison Fire Department and the Village of West Manchester.

**BUTLER TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Permissive Motor Vehicle Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

Cemetery Fund – This fund receives the proceeds from the Cemetery operations.

**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. 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.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no encumbrances for 2007 and 2006.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 151,009	\$ 144,956
Total deposits	<u>\$ 151,009</u>	<u>\$ 144,956</u>

**BUTLER TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 86,537	\$ 71,594	\$ (14,943)
Special Revenue	196,447	191,787	(4,660)
Total	\$ 282,984	\$ 263,381	\$ (19,603)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 104,750	\$ 84,010	\$ 20,740
Special Revenue	170,553	173,318	(2,765)
Total	\$ 275,303	\$ 257,328	\$ 17,975

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 85,804	\$ 121,568	\$ 35,764
Special Revenue	211,372	178,701	(32,671)
Total	\$ 297,176	\$ 300,269	\$ 3,093

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 99,850	\$ 94,023	\$ 5,827
Special Revenue	269,976	196,876	73,100
Total	\$ 369,826	\$ 290,899	\$ 78,927

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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 Village.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

**BUTLER TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**5. RETIREMENT SYSTEMS**

The Township's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

Contribution rates are prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent of their gross wages, respectively, and the Township contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**6. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage** – For an occurrence prior to January 1, 2006 (latest information available) OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage up to \$10,000,000 with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Coverage** – Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence.

APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payments. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**Financial Position** – OTARMA's financial statements (audited by other accountants) conform with generally

**BUTLER TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**6. RISK MANAGEMENT (Continued)**

accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005. (latest information available):

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Township Contributions to OTARMA for 2006 and 2007 were as follows:

2006 - \$4,239 and 2007 - \$3,400

After completing one year of membership, 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 contributions, minus the subsequent year's contributions. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**7. COMPLIANCE**

Contrary to Ohio Rev. Code Section 505.24 (C ) and OAG Opinion 2004-036, the Township did not adequately document hours spent and services provided for Trustees to be paid from funds other than the General Fund.

Contrary to Ohio Rev. Code Sections 505.60 and 505.601, the Township has not adopted required resolution to reimburse trustees for health insurance premiums.

**BUTLER TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**7. COMPLIANCE (Continued)**

Contrary to Ohio Rev. Code Section 5705.41 (B), the Township expenditures exceeded appropriations in the Fire District, Zoning, and Permissive Motor Vehicle License funds for 2007.

Contrary to Ohio Rev. Code Section 5705.40, the Township did not file amended appropriation ordinances for the Fire District, Zoning, and Permissive Motor Vehicle License funds for 2007.

# Caudill & Associates, CPA's

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Portsmouth, OH 45662

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Butler Township  
4060 Grubbs Rex Road  
Arcanum, Ohio 45304

To the Board of Trustees:

We have audited the accompanying financial statements of Butler Township (the Township), Darke County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's financial statements, and have issued our report thereon dated April 11, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. The results of our tests disclosed two instances of significant internal control deficiencies that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2007-005 and 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be



Butler Township  
Darke County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation we consider material weaknesses.

### **Compliance and Other Matters**

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 grant agreements, 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 four instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as items No. 2007-001, 2007-002, 2007-003 and 2007-004.

We noted a certain noncompliance or other matter that we reported to the Township's management in a separate letter dated April 11, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
April 11, 2008

**BUTLER TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation – Ohio Rev. Code Section 505.24 (C ) and OAG Opinion 2004-036**

**Ohio Rev. Code Section 505.24 (C ) and OAG Opinion 2004-036** requires township Trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. If Trustee compensation is paid solely from the general fund, documentation of hours spent by service is not required.

Trustees were paid from other funds during the audit period without proper documentation. The financial statements have been adjusted by the Township due to this non-compliance

We recommend the Township establish administrative procedures to document the proportionate amount of Trustee salaries to be charged to other township funds based on the kinds of service rendered.

**Township Response:**

The Trustees will adopt necessary administrative procedures to allow proper documentation of services rendered by fund and the Township has agreed to make the adjustments to the financial statements suggested by the auditor.

**FINDING NUMBER 2007-002**

**Noncompliance Citation – Ohio Rev. Code Section 505.60 and 506.601**

**Ohio Rev. Code Sections 505.60 and 506.601** allows townships to reimburse any township officer or employee for each out of pocket premium the officer or employee incurs, if they meet the following three conditions:

1. The board of township trustees adopts a resolution stating the township has chosen not to procure a health care plan and has chosen instead to reimburse its officer and employees for each out-of-pocket premium,
2. The resolution provides for a uniform maximum monthly or yearly payment for each officer and employee,
3. The resolution states the specific benefits, pursuant to ORC section 505.60(A), that will be reimbursed.

The Township reimbursed trustees \$6,550 and \$6,743 for 2006 and 2007, respectively, for health insurance premiums without adhering to the required criteria.

We recommend a resolution be adopted for health insurance premium reimbursement, for officers and employees that adequately incorporates all conditions outlined in ORC 505.60 and 505.61.

**Township Response:**

The Trustees will adopt resolution for health insurance premium reimbursement that addresses conditions outlined in ORC 505.60 and 505.601.

**BUTLER TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-003**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41 (B)**

Ohio Rev. Code Section 5705.41(B), prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures from exceeding appropriations. Contrary to this requirement, expenditures for the following three funds exceeded appropriations at both the fund level and legal level of control for 2007. They are as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Fire District Fund	\$ -	\$ 50,822	\$ (50,822)
Zoning Fund	\$ -	\$ 1,180	\$ (1,180)
Permissive Motor Vehicle License Fund	\$ -	\$ 8,607	\$ (8,607)

The Township should monitor the budgetary financial reports throughout the year to prevent budgetary expenditures from exceeding appropriations at the legal level of control. Instances where it appears appropriations are insufficient to meet the projected needs, the Township should pass a resolution to amend appropriations. This analysis should also encompass a review of actual resources.

**Township Response:**

The Trustees and Clerk will monitor budgetary reports on a regular basis and file necessary amendments with the County Auditor.

**FINDING NUMBER 2007-004**

**Noncompliance Citation – Ohio Rev. Code Section 5705.40**

Ohio Rev. Code Section 5705.40 states, any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Contrary to this provision, appropriation ordinances were not amended for the Fire District, Zoning and Permissive Motor Vehicle License funds for 2007.

The Township should monitor the budgetary financial reports throughout the year and amend appropriations, as needed, by resolution.

**Township Response:**

The Trustees and Clerk will monitor budgetary reports on a regular basis and file necessary amendments with the County Auditor.

**BUTLER TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-005**

**Significant Deficiency – Failure to properly record receipts**

Intergovernmental receipts were not always recorded properly by classification during 2006 and 2007. Additionally, there were several instances where receipts were not recorded onto the UAN financial system in a timely manner.

Failure to correctly, and timely, record receipts could result in the financial statements being materially misstated.

The Township should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatement in the financial statements and footnotes.

**Township Response:**

The Trustees and Clerk will monitor township receipts to help ensure they are posted timely and to the proper classification.

**FINDING NUMBER 2007-006**

**Significant Deficiency – Budgetary Information on Financial Statements**

The Township's budgetary financial statements in the annual report did not agree with the amounts approved by the Trustees and County Budget Commission.

Failure to record and report the budgetary data accurately presents an inaccurate comparison of the budgetary activity and can mislead those using the annual financial report.

The Clerk should reconcile the year end budgetary data with the approved amounts to ensure the budgetary activity is being reported accurately.

**Township Response:**

The Trustees and Clerk will monitor budgetary reports on a regular basis and file necessary amendments with the County Auditor.



**Mary Taylor, CPA**  
Auditor of State

**BUTLER TOWNSHIP**

**DARKE 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 24, 2008**