



OHIO AUDITOR OF STATE  
**KEITH FABER**





**BUTLER TOWNSHIP  
MONTGOMERY COUNTY  
DECEMBER 31, 2018 AND 2017**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Butler Township  
Montgomery County  
3510 Sudachi Drive  
Dayton, Ohio 45414

To the Board of Township 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 Butler Township, Montgomery County, Ohio (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 such 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 opinions.

***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 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 these 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, and the respective 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 Butler Township, Montgomery County, as of December 31, 2018 and 2017, for the years then ended 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 December 16, 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

December 16, 2019

**BUTLER TOWNSHIP  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$927,059	\$6,613,536		\$7,540,595
Charges for Services		501,678		501,678
Licenses, Permits and Fees	154,958	37,343		192,301
Fines and Forfeitures	10,284	909		11,193
Intergovernmental	716,741	833,899		1,550,640
Special Assessments	28,839	101,385		130,224
Earnings on Investments	90,942	3,649		94,591
Miscellaneous	11,402	276,995		288,397
<i>Total Cash Receipts</i>	<u>1,940,225</u>	<u>8,369,394</u>		<u>10,309,619</u>
<b>Cash Disbursements</b>				
Current:				
General Government	702,069			702,069
Public Safety		4,286,838		4,286,838
Public Works	15,100	863,142		878,242
Health		52,410		52,410
Intergovernmental		882,181		882,181
Other		17,085		17,085
Capital Outlay	138,384	930,434		1,068,818
Debt Service:				
Principal Retirement		535,000		535,000
Interest and Fiscal Charges	53,713	214,157		267,870
<i>Total Cash Disbursements</i>	<u>909,266</u>	<u>7,781,247</u>		<u>8,690,513</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,030,959</u>	<u>588,147</u>		<u>1,619,106</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets		21,080		21,080
Transfers In		740,215	\$1,765,000	2,505,215
Transfers Out	(740,215)	(1,765,000)		(2,505,215)
Advances In	44,213			44,213
Advances Out		(44,213)		(44,213)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(696,002)</u>	<u>(1,047,918)</u>	<u>1,765,000</u>	<u>21,080</u>
<i>Net Change in Fund Cash Balances</i>	334,957	(459,771)	1,765,000	1,640,186
<i>Fund Cash Balances, January 1</i>	<u>3,703,761</u>	<u>11,341,377</u>	<u>0</u>	<u>15,045,138</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		10,881,606		10,881,606
Committed			1,765,000	1,765,000
Assigned	33,839			33,839
Unassigned	4,004,879			4,004,879
<i>Fund Cash Balances, December 31</i>	<u>\$4,038,718</u>	<u>\$10,881,606</u>	<u>\$1,765,000</u>	<u>\$16,685,324</u>

See accompanying notes to the basic financial statements

**BUTLER TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$724,610</u>
<i>Total Operating Cash Receipts</i>	<u>724,610</u>
<b>Operating Cash Disbursements</b>	
Salaries	60,948
Employee Fringe Benefits	20,239
Purchased Services	573,203
Supplies and Materials	2,745
Other	<u>476</u>
<i>Total Operating Cash Disbursements</i>	<u>657,611</u>
<i>Operating Income</i>	<u>66,999</u>
<b>Non-Operating Receipts</b>	
Miscellaneous Receipts	<u>823</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>823</u>
<i>Net Change in Fund Cash Balance</i>	67,822
<i>Fund Cash Balance, January 1</i>	<u>427,795</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$495,617</u></u>

*See accompanying notes to the basic financial statements*



**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Butler Township, Montgomery County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, emergency medical services, police protection, waste collection services and zoning. The Township contracts with the City of Dayton to provide EMS Services to the Dayton International Airport.

***Joint Ventures, Jointly Governed Organizations, and Public Entity Risk Pool***

The Township participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 7, 12, and 13 to the financial statements provides additional information for these entities. 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 statement of receipts, disbursements and change in fund balance (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds 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 presented below:

***General Fund*** 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.

***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:

***Road & Bridge Fund*** This fund receives property tax money for constructing, maintaining and repairing Township Roads and Bridges.

***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.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Police District Fund*** This fund receives property tax money for the operation of the Butler Township Police Department.

***Fire District Fund*** This fund receives property tax money and revenue generated from the Emergency Medical Services provided by the Butler Township Fire Department.

The other township governmental funds account for grants and other resources whose use is restricted to a particular purpose.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

***Fire District Fund*** The Township transferred funds by resolution into this capital project fund to accumulate money towards the replacement of emergency vehicles for the Fire Department, as well as any future major improvements to the fire station. The funds are committed for capital improvement.

***Enterprise Funds*** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Township had the following significant Enterprise Fund:

***Waste District Fund*** – This fund accounts for the charges the Township levies to collect and remove waste and refuse.

***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***

The Ohio Revised Code requires that each fund 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.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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 reappropriated.

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. Money market mutual funds are recorded at share values the mutual funds report.

***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.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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 December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,967,386	\$1,984,438	\$17,052
Special Revenue	9,064,913	9,130,689	65,776
Capital Project	1,765,000	1,765,000	0
Enterprise	996,727	725,433	(271,294)
Total	\$13,794,026	\$13,605,560	(\$188,466)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,037,054	\$1,682,820	\$354,234
Special Revenue	10,982,118	10,154,025	828,093
Enterprise	1,104,005	816,104	287,901
Total	\$14,123,177	\$12,652,949	\$1,470,228

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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:

	<u>2018</u>
Demand Deposits	<u>12,048,032</u>
Total deposits	<u>12,048,032</u>
Money Market Funds	<u>5,132,909</u>
Total investments	<u>5,132,909</u>
Total deposits and investments	<u>\$17,180,941</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

**Note 6 – Interfund Balances**

The Township sold Tax Increment Revenue Bonds totaling \$503,500 in 2006 to its own General Fund; the interest rate is 5.0%. This debt is not presented in Note 10 as the improvement for infrastructure was financed by the General Fund and is being repaid to the General Fund as the additional tax increment financing revenue is received from the County Auditor. The following table details the amortization schedule of the above debt.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 6 – Interfund Balances (Continued)**

Year	TIF - Township Bond	
	Principal	Interest
2019	\$29,926	\$14,288
2020	31,421	12,792
2021	32,993	11,221
2022	34,642	9,571
2023	36,375	7,839
2024-2026	120,404	12,236
Totals	\$285,761	\$67,947

**Note 7 – Risk Management**

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<b>2018</b>
Cash and Investments	\$33,097,416
Actuarial liabilities	\$7,874,610

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 8 – Defined Benefit Pension Plans (Continued)**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed 14% of participants gross salaries. The Township Police Officers contributed 13% of their gross salaries and the Township contributed an amount 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

***Ohio Police and Fire Retirement System***

Township certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of the full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2018.

***Social Security***

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

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer 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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2018 was as follows:

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 10 – Debt (Continued)**

	Principal	Interest Rate
Towne Center - Morris TIF	\$925,000	4.6%
TIF - Cloverleaf Road	1,786,930	4.22%
Bonds - Admn/Police Building	2,170,000	2-3.375%
Bond Refinance	705,000	2.30%
Fire Staton Remodel	1,900,000	2-3.25%
Total	\$7,486,930	

The Township sold Tax Increment Revenue Bonds (2) (Towne Center – Morris) in 2008 for \$1,300,000 for the improvement of road infrastructure with the Township. These are twenty year bonds with a 4.6% interest rate. Interest payments only started in year 2011. Principal and interest payments started in 2014. This bond is secured through a service agreement with the developer of Morris Furniture.

The Township sold Tax Increment Revenue Bonds (Harson 1 Sonia Singer and Harson 2 Harson) in 2006 for \$2,900,902 for the improvement of road infrastructure with the Township. These are twenty year bonds with a 5.0% interest rate. This bond is secured through a service agreement with Singer Properties. In a prior year, the Township paid off the remaining principal owed for the Harson 1 bond, \$756,044, and the Township paid off the remaining principal for the Harson 2 bonds, \$514,722, both from the Harson TIF Fund. The Township refinanced the remaining amount of \$1,165,000 through Minster Bank. That debt is now General Obligation Bonds and will be paid off in 2026. The new interest rate is 2.3% and principal and interest payments started in 2013.

The Township sold Tax Increment Revenue Bonds (Cloverleaf) in 2010 for \$2,500,000 for the improvement of road infrastructure in the Township. These are twenty year bonds with a 4.22% interest rate. Interest payments only started in 2011. One extra principal payment was made in 2013 in the amount of \$153,070 which was the leftover money for the project. Principal and interest payments start in 2014. This bond is secured through a service agreement with the Stonesprings Nursing Home Facility.

The Township sold General Obligation Bonds in 2011 to purchase an existing office building and remodel it for the new government center which houses the administration and police divisions in the amount of \$2,500,000. These are twenty year bonds with a varying interest rate of 2% to 3.375%. Principal and interest payments started in 2012.

The Township sold General Obligation Bonds in 2013 to renovate the existing fire station headquarters in the amount of \$2,575,000. These are twenty year bonds with a varying interest rate of 2% to 3.25%. Principal and interest payments started in 2013.

***Amortization***

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



**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 10 – Debt (Continued)**

Year Ending December 31:	Tax Increment Bonds (2) TowneCenter - Morris TIF	
	Principal	Interest
2019	\$85,000	\$42,550
2020	90,000	38,640
2021	95,000	34,500
2022	100,000	30,130
2023	100,000	25,530
2024-2027	455,000	53,820
Total	\$925,000	\$225,170

Year Ending December 31:	TIF - Cloverleaf Road	
	Principal	Interest
2019	\$125,000	\$75,408
2020	135,000	70,133
2021	140,000	64,436
2022	145,000	58,528
2023	150,000	52,409
2024-2028	850,000	161,611
2029-2030	241,930	12,190
Total	\$1,786,930	\$494,715

Year Ending December 31:	TIF - Admin/Police Building	
	Principal	Interest
2019	\$145,000	\$66,620
2020	145,000	63,720
2021	150,000	59,370
2022	155,000	54,870
2023	155,000	50,220
2024-2028	850,000	177,706
2029-2031	570,000	38,674
Total	\$2,170,000	\$511,180

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 10 – Debt (Continued)**

Year Ending December 31:	Fire Levy - Fire Station Remodel	
	Principal	Interest
2019	\$115,000	\$51,413
2020	120,000	49,113
2021	120,000	46,713
2022	125,000	44,312
2023	125,000	41,812
2024-2028	680,000	159,562
2029-2032	615,000	50,538
Total	\$1,900,000	\$443,463

Year Ending December 31:	TIF - Harson Bond Refinance	
	Principal	Interest
2019	\$80,000	\$16,215
2020	85,000	14,375
2021	85,000	12,420
2022	85,000	10,465
2023	90,000	8,510
2024-2026	280,000	12,995
Total	\$705,000	\$74,980

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The Township is the defendant in a lawsuit filed in 2018. Although management cannot presently determine the outcome of this suit, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

**Note 12 – Joint Ventures**

Butler Township has an agreement with the City of Vandalia to provide joint services for fire protection and EMS. This agreement allows for joint staffing of the Butler Township Fire Station on Little York Road and the Vandalia Fire Station on Peters Pike. Each station has two employees from other jurisdictions that will help respond to calls for that particular service area in the City or Township which may include joint staffing of equipment.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 13 – Jointly Governed Organizations**

The Township participates in three (3) jointly governed organizations: with the City of Dayton known as the Butler Township – Dayton Joint Economic Development District; and the City of Vandalia known as the Butler Township – Vandalia Joint Economic Development District (JEDD), which the Township and the Cities have entered into the contracts to create and provide for the operation of the JEDD agreement in accordance with Sections 715.72 through 715.83 of the Revised Code for their mutual benefit and for the benefit of their residents and the State of Ohio. The third partnership is also with the City of Vandalia known as the Butler Township – City of Vandalia Joint Economic Development Zone (JEDZ). The Township and City have entered into the contracts to create and provide for the operation of the JEDZ agreement in accordance with Section 715.691 of the Ohio Revised Code.

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**BUTLER TOWNSHIP  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$879,320	\$6,472,188	\$7,351,508
Charges for Services		482,693	482,693
Licenses, Permits and Fees	137,385	28,635	166,020
Fines and Forfeitures	5,905	1,296	7,201
Intergovernmental	808,506	737,460	1,545,966
Special Assessments	86,553	95,614	182,167
Earnings on Investments	53,596	1,949	55,545
Miscellaneous	20,376	254,710	275,086
<i>Total Cash Receipts</i>	<u>1,991,641</u>	<u>8,074,545</u>	<u>10,066,186</u>
<b>Cash Disbursements</b>			
Current:			
General Government	676,449		676,449
Public Safety		3,998,228	3,998,228
Public Works	5,352	935,418	940,770
Health		42,937	42,937
Intergovernmental		845,634	845,634
Capital Outlay	43,696	525,286	568,982
Debt Service:			
Principal Retirement		515,000	515,000
Interest and Fiscal Charges		283,135	283,135
<i>Total Cash Disbursements</i>	<u>725,497</u>	<u>7,145,638</u>	<u>7,871,135</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,266,144</u>	<u>928,907</u>	<u>2,195,051</u>
<b>Other Financing Receipts (Disbursements)</b>			
Premium and Accrued Interest on Debt	28,560		28,560
Sale of Capital Assets		82,259	82,259
Transfers In		462,820	462,820
Transfers Out	(462,820)		(462,820)
Advances In	44,213		44,213
Advances Out		(44,213)	(44,213)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(390,047)</u>	<u>500,866</u>	<u>110,819</u>
<i>Net Change in Fund Cash Balances</i>	876,097	1,429,773	2,305,870
<i>Fund Cash Balances, January 1</i>	<u>2,827,664</u>	<u>9,911,604</u>	<u>12,739,268</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		11,341,377	11,341,377
Assigned	69,667		69,667
Unassigned	3,634,094		3,634,094
<i>Fund Cash Balances, December 31</i>	<u>\$3,703,761</u>	<u>\$11,341,377</u>	<u>\$15,045,138</u>

See accompanying notes to the basic financial statements

**BUTLER TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$692,701</u>
<i>Total Operating Cash Receipts</i>	<u>692,701</u>
<b>Operating Cash Disbursements</b>	
Salaries	62,071
Employee Fringe Benefits	20,822
Purchased Services	537,250
Supplies and Materials	384
Other	<u>1,066</u>
<i>Total Operating Cash Disbursements</i>	<u>621,593</u>
<i>Operating Income</i>	<u>71,108</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	45
Capital Outlay	<u>(1,000)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(955)</u>
<i>Net Change in Fund Cash Balance</i>	70,153
<i>Fund Cash Balance, January 1</i>	<u>357,642</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$427,795</u></u>

*See accompanying notes to the basic financial statements*

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Butler Township, Montgomery County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, emergency medical services, police protection, waste collection services and zoning. The Township contracts with the City of Dayton to provide EMS Services to the Dayton International Airport.

***Joint Ventures, Jointly Governed Organizations, and Public Entity Risk Pool***

The Township participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 7, 12, and 13 to the financial statements provides additional information for these entities. 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 statement of receipts, disbursements and change in fund balance (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds 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 presented below:

***General Fund*** 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.

***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:

***Road & Bridge Fund*** This fund receives property tax money for constructing, maintaining and repairing Township Roads and Bridges.

***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.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Police District Fund*** This fund receives property tax money for the operation of the Butler Township Police Department.

***Fire District Fund*** This fund receives property tax money and revenue generated from the Emergency Medical Services provided by the Butler Township Fire Department.

The other township governmental funds account for grants and other resources whose use is restricted to a particular purpose.

***Enterprise Funds*** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Township had the following significant Enterprise Fund:

***Waste District Fund*** – This fund accounts for the charges the Township levies to collect and remove waste and refuse.

***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***

The Ohio Revised Code requires that each fund 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 reappropriated.

A summary of 2017 budgetary activity appears in Note 3.



**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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. Money market mutual funds are recorded at share values the mutual funds report.

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

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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 December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,049,934	\$2,064,414	\$14,480
Special Revenue	8,594,394	8,619,624	25,230
Enterprise	690,206	692,746	2,540
Total	\$11,334,534	\$11,376,784	\$42,250

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,707,343	\$1,205,499	\$501,844
Special Revenue	8,018,637	7,265,988	752,649
Enterprise	750,559	742,000	8,559
Total	\$10,476,539	\$9,213,487	\$1,263,052

**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	10,415,393
Total deposits	10,415,393
Money Market Funds	5,057,540
Total investments	5,057,540
Total deposits and investments	\$15,472,933

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 4 – Deposits and Investments (Continued)**

*Deposits*

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At year end, \$1,049,015 of the Township's bank balance was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

*Investments*

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

**Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**Note 6 – Interfund Balances**

During 2006, the Township sold \$503,500 in Tax Increment Revenue Bonds to its own General Fund. The interest rate is 5%. This debt is not presented in Note 10 as the improvement for infrastructure was financed by the General Fund and is being repaid to the General Fund as the additional tax increment financing revenue is received from the County Auditor. The following table details the amortization schedule of the above debt.

Year	TIF - Township Bond	
	Principal	Interest
2018	\$28,500	\$15,713
2019	29,926	14,288
2020	31,421	12,792
2021	32,993	11,221
2022	34,642	9,571
2023-2026	156,779	20,075
Totals	\$314,261	\$83,660

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 – 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. 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 accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

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

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. 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. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$21,000.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 – Risk Management (Continued)**

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.

<b>2017 Contributions to OTARMA</b>
\$48,741

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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% of their gross salaries and the Township contributed 14% of participants gross salaries. The Township Police Officers contributed 13% of their gross salaries and the Township contributed an amount 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

***Ohio Police and Fire Retirement System***

Township certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of their wages. The Township has paid all contributions required through December 31, 2017.

***Social Security***

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

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer 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 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Towne Center - Morris TIF	\$1,005,000	4.6%
TIF - Cloverleaf Road	1,906,930	4.22%
Bonds - Admn/Police Building	2,310,000	2-3.375%
Bond Refinance	785,000	2.30%
Fire Staton Remodel	2,015,000	2-3.25%
Total	\$8,021,930	

The Township sold Tax Increment Revenue Bonds (2) (Towne Center – Morris) in 2008 for \$1,300,000 for the improvement of road infrastructure with the Township. These are twenty year bonds with a 4.6% interest rate. Interest payments only started in year 2011. Principal and interest payments started in 2014. This bond is secured through a service agreement with the developer of Morris Furniture.

The Township sold Tax Increment Revenue Bonds (Harson 1 Sonia Singer and Harson 2 Harson) in 2006 for \$2,900,902 for the improvement of road infrastructure with the Township. These are twenty year bonds with a 5.0% interest rate. This bond is secured through a service agreement with Singer Properties. In a prior year, the Township paid off the remaining principal owed for the Harson 1 bond, \$756,044, and the Township paid off the remaining principal for the Harson 2 bonds, \$514,722, both from the Harson TIF Fund. The Township refinanced the remaining amount of \$1,165,000 through Minster Bank. That debt is now General Obligation Bonds and will be paid off in 2026. The new interest rate is 2.3% and principal and interest payments started in 2013.

The Township sold Tax Increment Revenue Bonds (Cloverleaf) in 2010 for \$2,500,000 for the improvement of road infrastructure in the Township. These are twenty year bonds with a 4.22% interest rate. Interest payments only started in 2011. One extra principal payment was made in 2013 in the amount of \$153,070 which was the leftover money for the project. Principal and interest payments start in 2014. This bond is secured through a service agreement with the Stonesprings Nursing Home Facility.

The Township sold General Obligation Bonds in 2011 to purchase an existing office building and remodel it for the new government center which houses the administration and police divisions in the amount of \$2,500,000. These are twenty year bonds with a varying interest rate of 2% to 3.375%. Principal and interest payments started in 2012.

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 10 – Debt (Continued)**

The Township sold General Obligation Bonds in 2013 to renovate the existing fire station headquarters in the amount of \$2,575,000. These are twenty year bonds with a varying interest rate of 2% to 3.25%. Principal and interest payments started in 2013.

***Amortization***

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

Year Ending December 31:	Tax Increment Bonds (2) TowneCenter - Morris TIF	
	Principal	Interest
2018	\$80,000	\$46,230
2019	85,000	42,550
2020	90,000	38,640
2021	95,000	34,500
2022	100,000	30,130
2023-2027	555,000	79,350
Total	\$1,005,000	\$271,400

Year Ending December 31:	TIF - Cloverleaf Road	
	Principal	Interest
2018	\$120,000	\$80,472
2019	125,000	75,408
2020	135,000	70,133
2021	140,000	64,436
2022	145,000	58,528
2023-2027	815,000	196,004
2028-2030	426,930	30,206
Total	\$1,906,930	\$575,187

Year Ending December 31:	TIF - Admin/Police Building	
	Principal	Interest
2018	\$140,000	\$69,420
2019	145,000	66,620
2020	145,000	63,720
2021	150,000	59,370
2022	155,000	54,870
2023-2027	825,000	202,887
2028-2031	750,000	63,713
Total	\$2,310,000	\$580,600

**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 10 – Debt (Continued)**

Year Ending December 31:	Fire Levy - Fire Station Remodel	
	Principal	Interest
2018	\$115,000	\$53,713
2019	115,000	51,413
2020	120,000	49,113
2021	120,000	46,713
2022	125,000	44,312
2023-2027	660,000	177,037
2028-2032	760,000	74,875
Total	\$2,015,000	\$497,176

Year Ending December 31:	TIF - Harson Bond Refinance	
	Principal	Interest
2018	\$80,000	\$18,055
2019	80,000	16,215
2020	85,000	14,375
2021	85,000	12,420
2022	85,000	10,465
2023-2026	370,000	21,505
Total	\$785,000	\$93,035

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Joint Ventures**

Butler Township has an agreement with the City of Vandalia to provide joint services for fire protection and EMS. This agreement allows for joint staffing of the Butler Township Fire Station on Little York Road and the Vandalia Fire Station on Peters Pike. Each station has two employees from other jurisdictions that will help respond to calls for that particular service area in the City or Township which may include joint staffing of equipment.



**Butler Township**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 13 – Jointly Governed Organizations**

The Township participates in three (3) jointly governed organizations: with the City of Dayton known as the Butler Township – Dayton Joint Economic Development District; and the City of Vandalia known as the Butler Township – Vandalia Joint Economic Development District (JEDD), which the Township and the Cities have entered into the contracts to create and provide for the operation of the JEDD agreement in accordance with Sections 715.72 through 715.83 of the Revised Code for their mutual benefit and for the benefit of their residents and the State of Ohio. The third partnership is also with the City of Vandalia known as the Butler Township – City of Vandalia Joint Economic Development Zone (JEDZ). The Township and City have entered into the contracts to create and provide for the operation of the JEDZ agreement in accordance with Section 715.691 of the Ohio Revised Code.

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# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

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

Butler Township  
Montgomery County  
3510 Sudachi Drive  
Dayton, Ohio 45414

To the Board of Township 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 Butler Township, Montgomery County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 16, 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*.

***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

December 16, 2019

**BUTLER TOWNSHIP  
MONTGOMERY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness – Financial Statement Errors**

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.

Due to a breakdown in internal controls, the following errors in the Township's annual financial reports for 2018 and 2017 were identified as material and have been adjusted in the accompanying financial statements and the Township's accounting system:

- During 2018, the Township updated the fund number in their accounting system for the Garbage and Waste (Enterprise) Fund; however, the Township improperly posted a transfer out of the old fund and into the new fund rather than simply changing the fund number in the accounting system. As a result, transfers in and transfers out were overstated by \$277,339 in the Enterprise Fund.
- During 2018, the Board of Trustees approved Resolution No. 18-42, which established the Fire-Capital Reserve Fund for the accumulation of monies to purchase emergency vehicles for the Fire Department, as well as major improvements to the fire station as needed. The Township improperly created the Fire-Capital Reserve Fund as a special revenue fund rather than a capital projects fund. As a result, transfers-in and cash were overstated in the Fire-Capital Reserve (Special Revenue) Fund and understated in the Fire-Capital Reserve (Capital Projects) Fund by \$1,765,000 in 2018.
- During 2017, the Township incorrectly classified a portion of payments in lieu of taxes - intergovernmental disbursements to Vandalia-Butler School District as debt service: interest and fiscal charges. As a result, debt service: interest and fiscal charges were overstated and intergovernmental disbursements were understated by \$336,433, \$29,083, \$106,111, and \$34,092 in the Harson (Special Revenue), Yorkshire Reserve (Special Revenue), Singing Ridge (Special Revenue), and Morris (Special Revenue) funds, respectively.
- During 2017, the Township incorrectly classified the remaining payments in lieu of taxes - intergovernmental disbursements to the Vandalia-Butler School District as general government disbursements. As a result, general government disbursements were overstated and intergovernmental disbursements were understated by \$187,358, \$33,245, \$104,146, and \$15,166 in the Harson (Special Revenue), Yorkshire Reserve (Special Revenue), Singing Ridge (Special Revenue), and Morris (Special Revenue) funds, respectively.
- During 2018, the Township incorrectly classified payments in lieu of taxes - intergovernmental disbursements to the Vandalia-Butler School District as general government disbursements. As a result, general government disbursements were overstated and intergovernmental disbursements were understated by \$549,052, \$65,467, \$223,281, and \$44,381 in the Harson (Special Revenue), Yorkshire Reserve (Special Revenue), Singing Ridge (Special Revenue), and Morris (Special Revenue) funds, respectively.

**FINDING NUMBER 2018-001**  
**(Continued)**

- During 2017, the Township adjusted Zoning (Special Revenue) Fund activity into the General Fund. However, the Township posted the adjustment mid-year and rather than adjusting opening fund balance and moving the year-to-date activity to the General Fund, the Township moved the fund balance by posting a transfer from the Zoning (Special Revenue) Fund to the General Fund. As a result, fund cash balance, January 1, general government disbursements, and transfers out were overstated by \$18,333, \$2,244, and \$16,089, respectively, in the Zoning (Special Revenue) Fund in 2017. Additionally, fund cash balance, January 1 and general government disbursements were understated by \$18,333 and \$2,244, respectively, and transfers in were overstated by \$16,089 in the General Fund in 2017.
- During 2017, the Township improperly classify manuscript debt payments as debt service: interest and fiscal charges, other financing sources, and transfers rather than advance transactions. As a result, advances in were understated by \$44,213 and other financing sources and transfers in were overstated by \$8,535 and \$35,678, respectively, in the General Fund in 2017. Additionally, advances out were understated by \$44,213 and debt service: interest and fiscal charges and transfers out were overstated by \$8,535 and \$35,678, respectively, in the Harson Road TIF (Special Revenue) Fund in 2017.
- **Governmental Accounting Standards Board (GASB) Codification 1800.184** states, in part, encumbered amounts for specific purposes for which resources already have been restricted, committed, or assigned should not result in separate display of the encumbered amounts within those classifications. For 2018, the Township improperly classified outstanding encumbrances in the Special Revenue Funds as assigned. As a result, assigned fund balance was overstated and restricted fund balance was understated by \$563,564 in the Special Revenue Funds in 2018.
- **Governmental Accounting Standards Board (GASB) Codification 1800.173** states, in part, amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Governmental Accounting Standards Board (GASB) Codification 1800.176 states, in part, an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Township did not report outstanding encumbrances and the amount by which subsequent year appropriations exceeded estimated receipts as assigned in the General Fund in 2017. As a result, unassigned fund balance was overstated and assigned fund balance was understated by \$69,667 in the General Fund in 2017.
- During 2018, the Township received money from Harson Investment LTD as stipulated by a Right of Way Agreement for the York Center Drive Extension. The money was receipted into the General fund rather than the Harson TIF (Special Revenue) fund, the fund from which the York Center Drive Extension costs were paid. As a result, cash and miscellaneous receipts were overstated by \$56,101 in the General fund and understated by the same amount in the Harson TIF (Special Revenue) fund.

Policies and procedures should be established and implemented by the Township to verify that all receipts and disbursements are posted in the proper fund and account. The Township should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

**Officials' Response:**

We did not receive a response from Officials to this finding.

Trustee  
Kenneth M. Betz

Trustee  
Joseph E. Flanagan, Jr.

Trustee  
Michael Lang

Fiscal Officer  
Mark Adams



Administrator  
Erika Vogel

Fire Chief  
Dan Alig

Police Chief  
John M. Porter

Service Director  
Jeff Barnett

## Butler Township Government Center

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2018 & 2017

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Receipts, disbursements and fund balances were misclassified.	Partially corrected. Repeated as Finding in 2018-001.	The township had misclassifications of funds in the financial statements during the fiscal year which were corrected after the Audit which occurred in December, 2017. Additionally, a new capital reserve fund was established misclassified as a Special Revenue Fund.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**BUTLER TOWNSHIP**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2019**