



**Auditor of State
Betty Montgomery**

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Non-Expendable Trust Fund – For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Non-Expendable Trust Fund – For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Butler Township
Montgomery County
8524 North Dixie Drive
Dayton, Ohio 45414

To the Board of Trustees:

We have audited the accompanying financial statements of Butler Township, Montgomery County, (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Butler Township, Montgomery County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

August 20, 2003

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$421,911	\$2,527,323		\$2,949,234
Intergovernmental	831,876	525,019		1,356,895
Special Assessments		22,229		22,229
Charges for Services		735,971		735,971
Licenses, Permits, and Fees	42,836	58,512		101,348
Fines, Forfeitures, and Penalties	13,188	736		13,924
Earnings on Investments	98,468	103		98,571
Other Revenue	177,655	74,560		252,215
	<u>1,585,934</u>	<u>3,944,453</u>		<u>5,530,387</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	1,243,729	52,676		1,296,405
Public Safety		2,587,288		2,587,288
Public Works		1,155,827		1,155,827
Health		38,600		38,600
Debt Service:				
Redemption of Principal	29,978	56,943		86,921
Interest and Fiscal Charges	9,890	9,918		19,808
Capital Outlay			\$15,057	15,057
	<u>1,283,597</u>	<u>3,901,252</u>	<u>15,057</u>	<u>5,199,906</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>302,337</u>	<u>43,201</u>	<u>(15,057)</u>	<u>330,481</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		114,970		114,970
Transfers-Out	(114,970)			(114,970)
	<u>(114,970)</u>	<u>114,970</u>		
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	187,367	158,171	(15,057)	330,481
Fund Cash Balances, January 1	<u>2,883,153</u>	<u>921,620</u>	<u>169,830</u>	<u>3,974,603</u>
Fund Cash Balances, December 31	<u><u>\$3,070,520</u></u>	<u><u>\$1,079,791</u></u>	<u><u>\$154,773</u></u>	<u><u>\$4,305,084</u></u>
Reserve for Encumbrances, December 31	<u><u>\$20,906</u></u>	<u><u>\$10,369</u></u>	<u><u>\$4,943</u></u>	<u><u>\$36,218</u></u>

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$1</u>
Operating Cash Disbursements:	
Operating Income	<u>1</u>
Fund Cash Balances, January 1	<u>1,630</u>
Fund Cash Balances, December 31	<u><u>\$1,631</u></u>

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$573,770	\$2,433,398		\$3,007,168
Intergovernmental	401,830	524,512		926,342
Special Assessments		21,949		21,949
Charges for Services		698,886		698,886
Licenses, Permits, and Fees	55,012	45,698		100,710
Fines, Forfeitures, and Penalties	14,852	1,020		15,872
Earnings on Investments	160,448	767		161,215
Other Revenue	75,958	95,972	\$3,074	175,004
	<u>1,281,870</u>	<u>3,822,202</u>	<u>3,074</u>	<u>5,107,146</u>
Total Cash Receipts				
	<u>1,281,870</u>	<u>3,822,202</u>	<u>3,074</u>	<u>5,107,146</u>
Cash Disbursements:				
Current:				
General Government	988,992	52,142		1,041,134
Public Safety		2,890,228		2,890,228
Public Works	3,925	1,184,414		1,188,339
Health		40,133		40,133
Debt Service:				
Redemption of Principal	10,277	14,380		24,657
Interest and Fiscal Charges	69	97		166
Capital Outlay			216,126	216,126
	<u>1,003,263</u>	<u>4,181,394</u>	<u>216,126</u>	<u>5,400,783</u>
Total Cash Disbursements				
	<u>1,003,263</u>	<u>4,181,394</u>	<u>216,126</u>	<u>5,400,783</u>
Total Receipts Over/(Under) Disbursements	<u>278,607</u>	<u>(359,192)</u>	<u>(213,052)</u>	<u>(293,637)</u>
Other Financing Receipts and (Disbursements):				
Refund of Prior Year Expenses	317,893	39,857		357,750
Sale of Fixed Assets	175,665			175,665
Transfers-In		461,150	198,641	659,791
Advances-In	160,449	129,300		289,749
Transfers-Out	(659,791)			(659,791)
Advances-Out	(129,300)	(160,449)		(289,749)
Other Sources	242,234	230,873		473,107
	<u>107,150</u>	<u>700,731</u>	<u>198,641</u>	<u>1,006,522</u>
Total Other Financing Receipts/(Disbursements)				
	<u>107,150</u>	<u>700,731</u>	<u>198,641</u>	<u>1,006,522</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	385,757	341,539	(14,411)	712,885
Fund Cash Balances, January 1	<u>2,497,396</u>	<u>580,081</u>	<u>184,241</u>	<u>3,261,718</u>
Fund Cash Balances, December 31	<u>\$2,883,153</u>	<u>\$921,620</u>	<u>\$169,830</u>	<u>\$3,974,603</u>

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investments	\$22
Operating Cash Disbursements:	
Operating Income	22
Fund Cash Balances, January 1	1,608
Fund Cash Balances, December 31	\$1,630

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

**BUTLERTOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Butler Township, Montgomery County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police services, trash and waste disposal, and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

U.S. Government Agency securities are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police Fund - This fund receives property tax monies for the operations of the Township's police department.

Fire District Fund - This fund receives property tax monies and revenues generated from the emergency medical services it provides.

**BUTLERTOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Stonequarry/Peters Project and Benchwood Project Funds – Both these funds are Public Works Projects, which are funded with monies received from Ohio Public Works Commission and grants.

4. Fiduciary Funds (Trust Funds)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Nonexpendable Trust Fund – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**BUTLERTOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$2,791,218	\$2,483,636
Investments		
FNMA Security		1,492,597
FHLBC	1,515,497	
Total investments	1,515,497	1,492,597
Total deposits and investments	\$4,306,715	\$3,976,233

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Government Agency Securities were held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,257,090	\$1,585,934	\$328,844
Special Revenue	4,017,368	4,059,423	42,055
Capital Projects	300,000	0	(300,000)
Fiduciary	20	1	(19)
Total	\$5,574,478	\$5,645,358	\$70,880

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,021,404	\$1,419,473	\$601,931
Special Revenue	4,349,937	3,911,621	438,316
Capital Projects	300,000	20,000	280,000
Total	<u>\$6,671,341</u>	<u>\$5,351,094</u>	<u>\$1,320,247</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,333,975	\$2,178,111	\$844,136
Special Revenue	4,472,621	4,683,382	210,761
Capital Projects	516,662	201,715	(314,947)
Fiduciary	50	22	(28)
Total	<u>\$6,323,308</u>	<u>\$7,063,230</u>	<u>\$739,922</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,107,633	\$1,792,354	\$315,279
Special Revenue	4,715,904	4,341,843	374,061
Capital Projects	466,656	216,126	250,530
Total	<u>\$7,290,193</u>	<u>\$6,350,323</u>	<u>\$939,870</u>

Contrary to Ohio Law, the Motor Vehicle License Tax fund, Road District fund, and PWC Project fund had deficiencies in actual receipts that reduced available resources below the current level of appropriation and a reduced amended certificate of estimated resources was not obtained.

4. PROPERTY TAX

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

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

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

**BUTLERTOWNSHIP
MONTGOMERY COUNTY**

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

4. PROPERTY TAX (Continued)

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Equipment Purchase	\$79,758	0%
Building Addition	141,118	5.06%
Dump Truck	62,832	4.09%
Fire Truck	197,457	5.06%
Total	\$481,165	

The Equipment Purchase was entered into July 3, 2001 with Montgomery County. The principal amount was \$119,636 at 0% interest rate, and three equal payments per year until paid in full in 2004.

The Building Addition lease was entered into December 17, 2001. The original cost was \$165,000 at an interest rate of 5.06% for a period of 120 months.

The Dump Truck lease was entered into December 17, 2001. The original cost was \$77,234 at an interest rate of 4.09% for a period of 60 months.

The Fire Truck lease was entered into December 17, 2001. The original cost was \$230,873 at an interest rate of 5.06% for a period of 120 months.

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

Year ending December	Building Addition		Dump Truck		Fire Truck	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	13,626	7,067	14,757	2,447	19,066	9,889
2004	14,334	6,359	15,374	1,830	20,056	8,898
2005	15,079	5,614	16,016	1,188	21,099	7,856
2006	15,862	4,831	16,685	519	22,195	6,760
2007	16,686	3,977			23,348	5,606
2008-2011	65,531	6,895			91,693	9,646
Total	\$141,118	\$34,743	\$62,832	\$5,984	\$197,457	\$48,655

Year Ending December	Equipment Purchase	
	Principal	Interest
2003	\$39,879	\$0
2004	39,879	0
	\$79,758	\$0

**BUTLERTOWNSHIP
MONTGOMERY COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OP&F participants contributed 10.1% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK POOL MEMBERSHIP

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

**BUTLERTOWNSHIP
MONTGOMERY COUNTY**

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

7. RISK POOL MEMBERSHIP (Continued)

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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

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Auditor of State Betty Montgomery

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

Butler Township
Montgomery County
8524 North Dixie Drive
Dayton, Ohio 45414

To the Board of Trustees:

We have audited the financial statements of Butler Township, Montgomery County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 20, 2003.

Butler Township
Montgomery County
Independent Accountants' Report on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

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

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

Betty Montgomery
Auditor of State

August 20, 2003

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

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

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

FINDING NUMBER 2002-001

Finding for Recovery – Unallowable Expenditure

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests within the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. During the audit period, alcoholic beverages were purchased totaling \$415. The resolution failed to mention the proper public purpose and did not mention the purchase of alcohol. Further, the purchase of alcoholic beverages with public funds is unreasonable, and therefore not a permitted expenditure.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies being illegally expended is hereby issued against Gregory A. Brush, Clerk, Joseph Ellis, Michael Haines, Ellie Lewis, Doug Orange, and Harley N. Zachary, Butler Township Board of Trustees, jointly and severally, in the amount of \$415 and in favor of Butler Township’s General Fund.

FINDING NUMBER 2002-002

Noncompliance – Certificate of Fiscal Officer

Ohio Rev. Code Section 5705.41 (D) requires that no order or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This Section of the Code provides the following exception to the requirement:

If no certificate is issued at the time the contract or order is presented, the fiscal officer may execute a then and now certificate that states that there was, at the time of the making of such a contract or order, and at the time of the execution of such certificate, a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount involved is greater than one thousand dollars, the taxing authority must authorize the drawing of a warrant with a resolution or ordinance within thirty days from execution of the then and now.

Amounts of less than \$1,000 (which was increased to \$3,000 as of April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

The Township failed to properly certify funds for 36 out of 60 (60%) transactions tested. The Township should implement procedures to provide for timely certification of funds prior to incurring the obligation.

FINDING NUMBER 2002-003

Noncompliance – Budgetary

Ohio Rev. Code Section 5705.36 allows all subdivisions to request a reduced amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following funds have deficiencies that reduced available resources below the current level of appropriation:

December 31, 2002

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Motor Vehicle License Tax	\$24,780	\$17,571	(\$7,209)
Road District	\$315,397	\$265,810	(\$49,587)
PWC Project	\$300,000	0	(\$300,000)

December 31, 2001

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Motor Vehicle License Tax	\$24,780	\$17,175	(\$7,605)
PWC Project	\$216,126	\$31,885	(\$184,241)

The Township should monitor actual receipts vs. estimated receipts throughout the year. When it is evident that actual receipts will be less than what was anticipated, an amended certificate of estimated resources should be obtained. This analysis should also encompass a review of appropriations at that time.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40357-001	Ohio Rev. § 5705.41 (D) Failure to properly certify funds.	No	Not corrected, repeated as Finding 2002-002.



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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
OCTOBER 16, 2003**