



**Auditor of State
Betty Montgomery**

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 29, 2005

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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, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 111.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 29, 2005

**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, 2004**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$529,513	\$3,404,337			\$3,933,850
Intergovernmental	556,495	681,548		\$117,489	1,355,532
Special Assessments		21,594			21,594
Charges for Services		732,153			732,153
Licenses, Permits, and Fees	64,877	60,720			125,597
Fines, Forfeitures, and Penalties	13,745	1,060			14,805
Earnings on Investments	38,825	30			38,855
Other Revenue	219,564	71,288			290,852
	<u>1,423,019</u>	<u>4,972,730</u>		<u>117,489</u>	<u>6,513,238</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	925,683	21,954			947,637
Public Safety		3,001,937			3,001,937
Public Works		1,143,085			1,143,085
Health		45,513			45,513
Debt Service:					
Redemption of Principal			\$45,000		45,000
Interest and Fiscal Charges			4,150		4,150
Capital Outlay	387,292	439,230		335,925	1,162,447
	<u>1,312,975</u>	<u>4,651,719</u>	<u>49,150</u>	<u>335,925</u>	<u>6,349,769</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>110,044</u>	<u>321,011</u>	<u>(49,150)</u>	<u>(218,436)</u>	<u>163,469</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds				415,000	415,000
Transfers-In	138,811	301,898	187,961	60,956	689,626
Advances-In	317,805	317,805			635,610
Transfers-Out	(362,854)	(103,290)	(138,811)	(84,671)	(689,626)
Advances-Out	(317,805)	(317,805)			(635,610)
Other Sources		49,145			49,145
Other Uses	(300)				(300)
	<u>(224,343)</u>	<u>247,753</u>	<u>49,150</u>	<u>391,285</u>	<u>463,845</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(114,299)	568,764		172,849	627,314
Fund Cash Balances, January 1	<u>3,297,213</u>	<u>1,231,083</u>		<u>114,020</u>	<u>4,642,316</u>
Fund Cash Balances, December 31	<u>\$3,182,914</u>	<u>\$1,799,847</u>	<u>\$0</u>	<u>\$286,869</u>	<u>\$5,269,630</u>
Reserve for Encumbrances, December 31	<u>\$106,441</u>	<u>\$32,481</u>	<u>\$0</u>	<u>\$256,186</u>	<u>\$395,108</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
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Fiduciary Fund Type</u>
	<u>Non-Expendable Trust</u>
Fund Cash Balances, January 1	<u>\$1,634</u>
Fund Cash Balances, December 31	<u><u>\$1,634</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$495,579	\$2,611,050		\$3,106,629
Intergovernmental	928,013	542,012	\$979,614	2,449,639
Special Assessments		24,664		24,664
Charges for Services		716,736		716,736
Licenses, Permits, and Fees	63,117	47,269		110,386
Fines, Forfeitures, and Penalties	11,819	1,710		13,529
Earnings on Investments	38,336	69		38,405
Other Revenue	97,916	191,589		289,505
Total Cash Receipts	<u>1,634,780</u>	<u>4,135,099</u>	<u>979,614</u>	<u>6,749,493</u>
Cash Disbursements:				
Current:				
General Government	837,330	21,164		858,494
Public Safety		2,818,255		2,818,255
Public Works		1,198,999		1,198,999
Health		34,828		34,828
Capital Outlay	235,513	196,204	1,070,367	1,502,084
Total Cash Disbursements	<u>1,072,843</u>	<u>4,269,450</u>	<u>1,070,367</u>	<u>6,412,660</u>
Total Receipts Over/(Under) Disbursements	<u>561,937</u>	<u>(134,351)</u>	<u>(90,753)</u>	<u>336,833</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		285,244	50,000	335,244
Transfers-Out	(335,244)			(335,244)
Total Other Financing Receipts/(Disbursements)	<u>(335,244)</u>	<u>285,244</u>	<u>50,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	226,693	150,893	(40,753)	336,833
Fund Cash Balances, January 1	<u>3,070,520</u>	<u>1,080,190</u>	<u>154,773</u>	<u>4,305,483</u>
Fund Cash Balances, December 31	<u>\$3,297,213</u>	<u>\$1,231,083</u>	<u>\$114,020</u>	<u>\$4,642,316</u>
Reserve for Encumbrances, December 31	<u>\$91,038</u>	<u>\$32,693</u>	<u>\$0</u>	<u>\$123,731</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
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Fiduciary Fund Type</u>
	<u>Non-Expendable Trust</u>
Cash Receipts:	
Earnings on Investments	\$3
Total Cash Receipts	3
Fund Cash Balances, January 1	1,631
Fund Cash Balances, December 31	<u>\$1,634</u>
Reserve for Encumbrances, December 31	<u>\$0</u>

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Butler Township, 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 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash 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.

The Township values U.S. Government Agency Securities 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant debt service funds:

Debt – USA Truck – This fund receives moneys from transfers in order to make payment on debt issues for an agreement on a tax increment financing (TIF) project.

Debt – Sudachi – This fund. receives moneys from transfers in order to make payment on debt issues for an agreement on a TIF project for the Sudachi Road project.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Benchwood Project Fund – This fund is set up as a public works project, which is funded with money received from Ohio Public Works Commission and grants.

USA Trucking – This fund is set up as a public works project, which is funded with money received from the sale of bonds paid to Montgomery County as a TIF project.

5. Fiduciary Funds (Trust and Agency Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had only 1 nonexpendable trust fund, which was established to maintain graves at the cemetery.

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.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$3,755,766	\$3,128,452
FHLBC	1,515,498	1,515,498
Total deposits and investments	<u>\$5,271,264</u>	<u>\$4,643,950</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending [End of Years Audited] follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,125,284	\$1,561,830	\$436,546
Special Revenue	5,152,424	5,323,773	171,349
Debt Service	187,961	187,961	0
Capital Projects	475,956	593,445	117,489
Fiduciary	0	0	0
Total	<u>\$6,941,625</u>	<u>\$7,667,009</u>	<u>\$725,384</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,924,359	\$1,782,570	\$141,789
Special Revenue	5,060,926	4,787,490	273,436
Debt Service	0	187,961	(187,961)
Capital Projects	154,397	676,782	(522,385)
Fiduciary	0	0	0
Total	<u>\$7,139,682</u>	<u>\$7,434,803</u>	<u>(\$295,121)</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,152,176	\$1,634,780	\$482,604
Special Revenue	4,164,481	4,420,343	255,862
Capital Projects	545,734	1,029,614	483,880
Fiduciary	0	3	3
Total	<u>\$5,862,391</u>	<u>\$7,084,740</u>	<u>\$1,222,349</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,789,482	\$1,499,125	\$290,357
Special Revenue	4,575,186	4,302,143	273,043
Debt Service	0	0	0
Capital Projects	700,507	1,070,367	(369,860)
Fiduciary	0	0	0
Total	<u>\$7,065,175</u>	<u>\$6,871,635</u>	<u>\$193,540</u>

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds:

At December 31, 2004:

Special Revenue Federal Law Enforcement Fund	\$ 2,571
Special Revenue Misc – USA Truck Fund	43,667
Special Revenue Misc – Sudachi Fund	54,037
Debt Service USA Truck Fund	133,821
Debt Service Sudachi Fund	54,140
Capital Projects USA Trucking Fund (which \$117,489 is attributable to Issue II funds)	384,317
Capital Projects Public Works Commission Benchwood Project Fund	138,068

At November 30, 2003:

Special Revenue Federal Law Enforcement Fund	700
Special Revenue Misc – USA Truck Fund	13,785
Capital Projects Public Works Commission Benchwood Project Fund by	314,847

At December 31, 2003:

Special Revenue Road & Bridge Fund	129
Capital Projects USA Trucking Fund (all of which is attributable to Issue II funds)	\$483,880

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Tax Increment Revenue Bonds	\$370,000	4%

Butler Township sold Tax Increment Revenue Bonds (TIF) to Montgomery County in 2004 for \$415,000 for the improvement of road infrastructure within the Township. These are 8 years bonds with a 4% interest rate.

In addition, the Township also sold \$319,200 in Tax Increment Revenue Bonds to its own General Fund. This debt is not presented above as the improvement for infrastructure has been made and financed by the General Fund. As the additional Tax Revenue is received from the County Auditor, this debt is being repaid to the General Fund.

Amortization of the above debt, including interest, is scheduled as follows with (1) representing bonds sold to Montgomery County, and (2) bonds sold to the Township's General Fund:

Year ending December 31:	Tax Increment Revenue Bonds (1)	Tax Increment Revenue Bonds (2)
2005	\$61,800	\$55,170
2006	61,920	55,162
2007	60,960	55,161
2008	61,960	55,172
2009	61,840	55,159
2010 - 2011	123,000	55,167
Total	\$431,480	\$330,991

The Township also has 4 leases at December 31, 2004. These leases were for Building Additions, a Dump Truck, a Fire Truck and a Street Sweeper. The original cost of the assets acquired under lease was \$573,107. The following is a schedule of future minimum lease payments with the present value of the net minimum lease payments as of December 31, 2004:

Year Ending December 31,	Lease Payment
2005	\$ 94,245
2006	94,245
2007	77,041
2008	77,041
2009	49,647
2010 – 2011	88,948
Minimum Lease Payments	481,167
Less Amount representing interest	76,973
Present Value of Minimum Lease Payments	\$404,194

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

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 claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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 \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding 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 township.

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 2004 and 2003.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage	2004	2003
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
Property Coverage	2004	2003
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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, 2004 and 2003, and have issued our report thereon dated August 29, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 29, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Township's management dated August 29, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 29, 2005

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (\$3,000, effective April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

In fiscal 2004, the Township did not properly certify the availability of funds prior to purchase commitment for 16% of expenditures tested, and there was no evidence that the Township followed the aforementioned exceptions. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**FINDING NUMBER 2004-001
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-002

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures plus encumbrances exceeded appropriations at the legal level of control at 12/31/04, 12/31/03 and 11/30/03 as follows:

Fund / Function / Object Level	Appropriation Authority	Expenditures + Encumbrances	Variance
At December 31, 2004:			
Federal Law Enforcement/Capital Outlay/Other	0	2,571	(2,571)
Misc USA Truck/Transfer/Operating Transfer	0	49,150	(49,150)
Misc Sudachi/Transfer/Operating Transfer	0	54,140	(54,140)
Bond Retirement USA/Bond/Principal Payment	0	49,150	(49,150)
Bond Retirement/Transfer/Operating Transfer	0	84,671	(84,671)
Bond Retirement Sudachi/Transfer/Operating Transfer	0	54,140	(54,140)
Capital Projects USA/CapitalOutlay/Contractual Services	0	43,460	(43,460)
Capital Projects USA/Transfer/Operating Transfer	0	84,671	(84,671)
Public Works Commission Benchwood Contractual Services	63,000	123,973	(60,973)
At November 30, 2003			
Federal Law Enforcement/Police Protection/Small Tools	0	700	(700)
Misc USA Truck/Capital Outlay/Contractual Services	0	13,785	(13,785)
Public Works Commission Benchwood/Capital Outlay/Contractual Services	204,773	519,620	(314,847)
At December 31, 2003			
Capital Projects USA/Capital Outlay/Contractual Services	0	483,880	(483,880)

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	A finding for recovery was issued for unallowable expenditures.	Yes	N/A
2002-002	Funds were not properly encumbered as required by Ohio Rev. Code Section 5705.41(D).	No	Repeated as finding 2004-001.
2002-003	Several funds had estimated receipts exceeding actual receipts. Ohio Rev. Code Section 5705.36	Yes	N/A



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 29, 2005**