



**BUTLER TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

**BUTLER TOWNSHIP
KNOX COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Cover Letter | 1 |
| Independent Accountants' Report..... | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2007 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2006 | 6 |
| Notes to the Financial Statements | 7 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 13 |
| Schedule of Findings..... | 15 |
| Schedule of Prior Audit Findings..... | 20 |

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Butler Township
Knox County
6460 Esto Road
Howard, Ohio 43028

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 30, 2008

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Butler Township
Knox County
6460 Esto Road
Howard, Ohio 43028

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 financial 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 115.56 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements.

The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Butler Township, Knox County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The 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 July 30, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



Mary Taylor, CPA
Auditor of State

July 30, 2008

**BUTLER TOWNSHIP
KNOX COUNTY**

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

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|----------------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Private Purpose Trust</u> | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 17,861 | \$ 11,606 | \$ - | \$ 29,467 |
| Licenses, Permits, and Fees | 300 | 100 | - | 400 |
| Intergovernmental | 21,788 | 103,052 | - | 124,840 |
| Earnings on Investments | 360 | 442 | 2 | 804 |
| Miscellaneous | 911 | - | - | 911 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 41,220 | 115,200 | 2 | 156,422 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 37,378 | 3,186 | - | 40,564 |
| Public Works | 2,580 | 99,586 | - | 102,166 |
| Health | 1,761 | - | - | 1,761 |
| Capital Outlay | 63 | 9,000 | - | 9,063 |
| Debt Service: | | | | |
| Redemption of Principal | - | 9,322 | - | 9,322 |
| Interest and Other Fiscal Charges | - | 386 | - | 386 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 41,782 | 121,480 | - | 163,262 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Receipts Over/(Under) Disbursements | (562) | (6,280) | 2 | (6,840) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other Financing Receipts: | | | | |
| Sale of Fixed Assets | - | 6,500 | - | 6,500 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements | (562) | 220 | 2 | (340) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, January 1 | 12,902 | 129,917 | 267 | 143,086 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$ 12,340</u> | <u>\$ 130,137</u> | <u>\$ 269</u> | <u>\$ 142,746</u> |

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

**BUTLER TOWNSHIP
KNOX COUNTY**

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

| | Governmental Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) |
|---|-------------------------|--------------------------|--------------------------|--------------------------------|
| | General | Special Revenue | Private Purpose Trust | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 17,838 | \$ 11,469 | \$ - | \$ 29,307 |
| Licenses, Permits, and Fees | 300 | 100 | - | 400 |
| Intergovernmental | 22,220 | 100,096 | - | 122,316 |
| Earnings on Investments | 320 | 520 | 2 | 842 |
| Miscellaneous | 175 | - | - | 175 |
| | | | | |
| Total Cash Receipts | 40,853 | 112,185 | 2 | 153,040 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 36,133 | 1,831 | - | 37,964 |
| Public Works | 1,162 | 85,290 | - | 86,452 |
| Health | 3,761 | - | - | 3,761 |
| Capital Outlay | 4,964 | 9,447 | - | 14,411 |
| Debt Service: | | | | |
| Redemption of Principal | - | 8,970 | - | 8,970 |
| Interest and Other Fiscal Charges | - | 826 | - | 826 |
| | | | | |
| Total Cash Disbursements | 46,020 | 106,364 | - | 152,384 |
| Total Receipts Over/(Under) Disbursements | (5,167) | 5,821 | 2 | 656 |
| Other Financing Receipts: | | | | |
| Sale of Fixed Assets | - | 8,355 | - | 8,355 |
| Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements | (5,167) | 14,176 | 2 | 9,011 |
| Fund Cash Balances, January 1 | 18,069 | 115,741 | 265 | 134,075 |
| Fund Cash Balances, December 31 | <u>\$ 12,902</u> | <u>\$ 129,917</u> | <u>\$ 267</u> | <u>\$ 143,086</u> |

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

**BUTLER TOWNSHIP
KNOX COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Butler Township, Knox County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance. The Eastern Knox County Joint Fire District provides fire protection and emergency medical assistance for the Township.

The Township participates in one jointly governed organization and the Ohio Government Management Plan (the "Plan") public entity risk pool. Notes 6 and 9 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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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

The Township maintains a demand deposit account.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

**BUTLER TOWNSHIP
KNOX COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for monies left in the trust for the burial costs of family members.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

F. Property, Plant, and Equipment

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

2. Equity in Pooled Cash

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

**BUTLER TOWNSHIP
KNOX COUNTY**

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

2. Equity in Pooled Cash (Continued)

| | | |
|-----------------|-----------|-----------|
| | 2007 | 2006 |
| Demand deposits | \$142,746 | \$143,086 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

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

2007 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------|
| General | \$44,350 | \$41,220 | (\$3,130) |
| Special Revenue | 108,595 | 121,700 | 13,105 |
| Expendable Trust | 2 | 2 | 0 |
| Total | \$152,947 | \$162,922 | \$9,975 |

2007 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------|
| General | \$57,252 | \$41,782 | \$15,470 |
| Special Revenue | 224,031 | 121,480 | 102,551 |
| Expendable Trust | 269 | 0 | 269 |
| Total | \$281,552 | \$163,262 | \$118,290 |

2006 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|----------|
| General | \$38,419 | \$40,853 | \$2,434 |
| Special Revenue | 98,685 | 120,540 | 21,855 |
| Expendable Trust | 2 | 2 | 0 |
| Total | \$137,106 | \$161,395 | \$24,289 |

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------|
| General | \$56,487 | \$46,020 | \$10,467 |
| Special Revenue | 214,426 | 106,364 | 108,062 |
| Expendable Trust | 267 | 0 | 267 |
| Total | \$271,180 | \$152,384 | \$118,796 |

**BUTLER TOWNSHIP
KNOX COUNTY**

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

4. Property Tax

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 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.

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

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

5. Debt

The Township issued General Obligation notes in 2002 in the amount of \$43,000, and they were issued to finance the purchase of a tractor. The Township paid off this debt in 2007. The debt was collateralized solely by the Township's taxing authority.

The Township had no outstanding debt at December 31, 2007.

6. Retirement Systems

The Township's officers belong to the Ohio Public Employees Retirement System (OPERS). PERS is a cost-sharing, multiple-employer plan. 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 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries. The Township contributed an amount equaling 13.85% and 13.70% of participants' gross salaries for 2007 and 2006 respectively. The Township has paid all contributions required through December 31, 2007.

7. Risk Management

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**BUTLER TOWNSHIP
KNOX COUNTY**

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

7. Risk Management (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| | 2007 | 2006 |
|-----------------|--------------------|--------------------|
| Assets | \$11,136,455 | \$9,620,148 |
| Liabilities | <u>(4,273,553)</u> | <u>(3,329,620)</u> |
| Members' Equity | <u>\$6,862,902</u> | <u>\$6,290,528</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. Jointly Governed Organizations

The Eastern Knox County Joint Fire District (The District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District was formed in 2001 and consists of Brown, Butler, Harrison, Howard, Jefferson and Union Townships and the Villages of Brinkhaven and Danville. The Board consists of a trustee from each township and village and an at-large member appointed by the vote of the District Board. Revenues are generated from a five mil operating levy.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Butler Township
Knox County
6460 Esto Road
Howard, Ohio 43028

To the Township Board of Trustees:

We have audited the financial statements of Butler Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 30, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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. 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 115.56 mandate the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-002 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding numbers 2007-001, 2007-002 and 2007-004 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated July 30, 2008.

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 2007-001 through 2007-004.

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

We intend this report solely for the information and use of the audit committee, management, and Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 30, 2008

**BUTLER TOWNSHIP
KNOX COUNTY**

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

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

FINDING NUMBER 2007-001

Permissive Motor Vehicle License Taxes – Noncompliance and Significant Deficiency/Material Weakness

Ohio Const. Art. XII, Section 5a of the Ohio Constitution states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

Additionally, **Ohio Revised Code § 5705.10** states in part that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. In addition, all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

During fiscal years 2007 and 2006, the Township Fiscal Officer posted \$2,807 and \$2,846, respectively, of Permissive Motor Vehicle License Taxes into the Motor Vehicle License Tax Fund in error.

Monies received from Permissive Motor Vehicle License fees should be recorded in the Permissive Motor Vehicle License Tax fund. An adjustment has been made to the Township's accounting system to properly record the transaction and is reflected in the financial statements.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Receipts should be posted in accordance with requirements noted above and posting guidelines established in the Uniform Accounting Network line item descriptions. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the Township implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response:

This has been corrected, and I will advise the Knox Co. Auditor's office to label this receipt more clearly as "Permissive MVL."

**BUTLER TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002

Special Revenue Fund Expenditures - Noncompliance and Significant Deficiency/Material Weakness

Ohio Revised Code § 5735.27 provides in part that gasoline tax receipts may be expended by a township only for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township.

Additionally, **Ohio Revised Code § 5705.10(H)** states money paid into any fund shall be used only for the purposes for which such fund is established.

The Township Fiscal Officer paid invoices of \$2,580 and \$955 in 2007 and 2006, respectively, from the Gasoline Tax Fund for cemetery lawn mowing. In 2006, \$207 of Road and Bridge funds were used to pay for cemetery lawn mowing.

Also in 2006, the Township Fiscal Officer paid \$12,411 for repairs and improvements to improve all portions of the Township Hall from the Gas Tax Fund. However, only sixty percent of the Township Hall is used for road maintenance and repair purposes. The remaining forty percent of the building is used for general use and meetings. As a result, only 60%, or \$7,447, of the expenditures should have been paid from the Gas Tax Fund and the remaining 40%, or \$4,964, should have been paid from the General Fund.

The use of Gasoline Tax funds to pay the costs associated with cemetery lawn mowing services and for repairs and improvements to general meeting areas of the Township are not permissible expenditures.

An adjustment of \$2,580 was made in 2007 to reimburse the Gasoline Tax Fund from the General Fund for the Township Hall expenditures.

In 2006, adjustments of \$5,919 and \$207 were made to the Township's accounting system to reimburse the Gasoline Tax and Road and Bridge Fund, respectively, from the General Fund and which are reflected in the financial statements.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Expenditures should be posted in accordance with requirements noted above and posting guidelines established in the Uniform Accounting Network line item descriptions. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the Township implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response

We will improve accuracy in this area.

**BUTLER TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|--|

FINDING NUMBER 2007-003

Certification of Funds – Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) 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 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due therein.

There are several exceptions to the standard requirement stated above that the fiscal officer 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 fiscal officer 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 \$3,000 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 – The fiscal officer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 line item appropriation.

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for twenty percent (20%) of the expenditures tested in 2007 and for fourteen percent (14%) of expenditures tested in 2006 and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**BUTLER TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

Certification of Funds – Noncompliance (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 Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer 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.

Officials' Response:

We will continue to improve in this area.

FINDING NUMBER 2007-004

Sale of Assets – Noncompliance and Significant Deficiency/Material Weakness

Ohio Revised Code 5705.10(F) requires, in part, that proceeds from the sale of property other than a permanent improvement shall be paid into the fund from which such property was acquired or is maintained or, if there is no such fund, into the general fund.

The Township sold two tractors in 2006 and a grader in 2007 for \$6,500 and \$8,355, respectively. The proceeds were paid into the Township's General Fund, however, the Township's Gasoline Tax Fund was used to maintain the assets through their useful life, therefore, the sale proceeds should have been placed into the Gasoline Tax Fund.

The Fiscal Officer posted adjustments of \$6,500 and \$8,355, to reimburse the Gasoline Tax Fund from the General Fund, which are reflected in the financial statements.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Expenditures should be posted in accordance with requirements noted above and posting guidelines established in the Uniform Accounting Network line item descriptions. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

**BUTLER TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

| |
|---|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p> |
|---|

FINDING NUMBER 2007-004 (Continued)

Sale of Assets – Noncompliance and Significant Deficiency/Material Weakness (Continued)

We also recommend the Township implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response:

In the past, the General fund was where sale of assets were recorded when General fund monies were used to purchase the equipment.

**BUTLER TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|------------------------------------|------------------|--|
| 2005-001 | ORC 5705.41(D) Prior Certification | No | The Finding is being reissued as Finding 2007-003. |



Mary Taylor, CPA
Auditor of State

BUTLER TOWNSHIP

KNOX 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 2, 2008**