



Dave Yost • Auditor of State

**BUTLER TOWNSHIP
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's 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, 2013	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Butler Township
Mercer County
306 West Main St. P.O. Box 21
Coldwater, Ohio 45828

To the Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Butler Township, Mercer County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Butler Township, Mercer as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As described in Note 7, Butler Township restated their beginning fund balances for General Fund and Special Revenue Fund Type as of January 1, 2012. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 23, 2014

**BUTLER TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$39,493	\$255,585	\$295,078
Charges for Services	10,500		10,500
Licenses, Permits and Fees	1,150		1,150
Intergovernmental	60,005	140,430	200,435
Special Assessments		1,143	1,143
Earnings on Investments	573	296	869
Miscellaneous	4,018		4,018
Total Cash Receipts	<u>115,739</u>	<u>397,454</u>	<u>513,193</u>
Cash Disbursements:			
Current:			
General Government	62,531	3,906	66,437
Public Safety	5,274	178,004	183,278
Public Works		188,398	188,398
Capital Outlay	951		951
Total Cash Disbursements	<u>68,756</u>	<u>370,308</u>	<u>439,064</u>
Total Receipts Over/(Under) Disbursements	<u>46,983</u>	<u>27,146</u>	<u>74,129</u>
Fund Cash Balance, January 1	<u>236,345</u>	<u>271,680</u>	<u>508,025</u>
Fund Cash Balance, December 31:			
Restricted		181,843	181,843
Committed		116,983	116,983
Unassigned (Deficit)	283,328		283,328
Fund Cash Balance, December 31	<u>\$283,328</u>	<u>\$298,826</u>	<u>\$582,154</u>

See accompanying notes to the financial statement.

**BUTLER TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$33,985	\$267,993		\$301,978
Charges for Services	10,500			10,500
Licenses, Permits and Fees	975			975
Intergovernmental	125,011	142,247	\$31,629	298,887
Special Assessments		1,128		1,128
Earnings on Investments	411	233		644
Miscellaneous	4,225			4,225
Total Cash Receipts	<u>175,107</u>	<u>411,601</u>	<u>31,629</u>	<u>618,337</u>
Cash Disbursements:				
Current:				
General Government	68,096	3,947		72,043
Public Safety	5,274	181,596		186,870
Public Works		136,517		136,517
Capital Outlay			31,629	31,629
Total Cash Disbursements	<u>73,370</u>	<u>322,060</u>	<u>31,629</u>	<u>427,059</u>
Total Receipts Over/(Under) Disbursements	<u>101,737</u>	<u>89,541</u>		<u>191,278</u>
Fund Cash Balance, January 1 (Restated)	<u>134,608</u>	<u>182,139</u>		<u>316,747</u>
Fund Cash Balance, December 31:				
Restricted		177,942		177,942
Committed		93,738		93,738
Unassigned (Deficit)	236,345			236,345
Fund Cash Balance, December 31	<u>\$236,345</u>	<u>\$271,680</u>	<u>\$0</u>	<u>\$508,025</u>

See accompanying notes to the financial statements.

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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 the Butler Township, Mercer County, 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 contracts with the Village of Coldwater to provide fire services and Mercer County EMS - Emergency Medical Services, Inc., to provide ambulance services.

The Township does not participate in jointly governed organizations, joint ventures and public entity risk pool nor is associated with a related organization.

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. Deposits and Investments

The Township had one primary checking account during the audit period.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Butler Township had the following significant Special Revenue Funds:

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

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

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

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

Issue II Fund – Butler Township received a grant in 2012 for \$31,629 from the OPWC State of Ohio to pave one mile on Buschor Road and received no funds in 2013.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. All 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 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 re-appropriated in the subsequent year.

A summary of 2012 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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. Butler Township officials are not entitled to any leave pay.

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$582,154	\$508,025

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2102 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,593	\$115,739	\$1,146
Special Revenue	398,610	397,454	(1,156)
Total	\$513,203	\$513,193	(\$10)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$340,680	\$68,756	\$271,924
Special Revenue	666,640	370,308	296,332
Total	\$1,007,320	\$439,064	\$568,256

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$174,136	\$175,107	\$971
Special Revenue	412,584	411,601	(983)
Capital Projects	31,629	31,629	
Total	\$618,349	\$618,337	(\$12)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$303,610	\$73,370	\$230,240
Special Revenue	599,857	322,060	277,797
Capital Projects	31,629	31,629	
Total	\$935,096	\$427,059	\$508,037

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(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.

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2013 and 2012, OPERS members contributed 10% and 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

6. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. RISK MANAGEMENT (Continued)

B. 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Assets	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,302.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
<u>\$4,147</u>	<u>\$4,127</u>

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

7. RESTATEMENT OF FUND BALANCE

In the prior period, the Township Zoning fund was recorded as a Special Revenue Fund. This fund should be presented with General Fund as outlined in Governmental Accounting Standards Board (GASB) 54. This had the following effect on fund balances previously reported:

	<u>Fund Balance at January 1, 2012</u>	<u>Restatement</u>	<u>Restated Fund Balance at January 1, 2012</u>
General	\$129,474	\$5,134	\$134,608
Special Revenue	\$187,273	(5,134)	\$182,139



Dave Yost • Auditor of State

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

Butler Township
Mercer County
306 West Main St. P.O. Box 21
Coldwater, Ohio 45828

To the Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Butler Township, Mercer County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 23, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. Also as disclosed in Note 7, the Township stated the beginning fund balances for their General fund and Special Revenue fund types as of January 1, 2012.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-004 and 2013-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-003.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 23, 2014

**BUTLER TOWNSHIP
MERCER COUNTY**

SCHEDULE OF FINDINGS

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

FINDING 2013-001

Finding For Recovery - Vision and Dental Insurance – Repaid Under Audit

Ohio Rev Code Section 505.60 provides that the Township may only reimburse officers or employees if the officer or employee elects not to participate in the township's insurance coverage pursuant to division (A). Specifically, that Section provides in part if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains.

Ohio Rev Code Section 505.601 provides, in part, that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains.

2008 Op. Att'y Gen. No. 2008-018 explains that Ohio Rev. Code Section 505.601 specifically limits the circumstances in which a board of township trustees may make such reimbursements, as follows: 1) the township has not procured health care coverage of township personnel under R.C. 505.60; 2) reimbursement is only for each out-of-pocket health care premium the officer or employee incurs for the types of insurance benefits listed in R.C. 505.60(A); and 3) the township adopts a resolution concerning such reimbursement that meets the requirements established by R.C. 505.601.

Pursuant to Resolution No. 122010-2 adopted in December of 2010, the Board of Trustees determined not to procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code and instead opted for a reimbursement plan under ORC 505.601. Therefore, the township may not offer reimbursement under Ohio Rev. Code Section 505.60.

The Township reimbursed Trustee, Hubert Homan for health insurance under ORC 505.601 and also procured dental and vision insurance for Mr. Homan under ORC 505.60. The dental and vision was paid directly to the vendor by the Township from payroll deductions of the Trustee. Mr. Homan was then reimbursed \$1,333 in 2012 and \$1,332 in 2013 from the Road and Bridge Fund for the dental and vision premiums deducted from his payroll by the Township. The Township may not procure health insurance for their trustees and employees under both ORC 505.60 and ORC 505.601.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Hubert Homan in the amount of \$2,665 and in favor of the Township's Road and Bridge Fund.

Upon notification of the error by the Auditor of State's office, the Township notified Hubert Homan of the overpayment in 2012 and 2013 for dental and vision insurance premiums in the amount of \$2,665. The Township receipted in \$2,665 to the Road and Bridge Fund on June 18, 2014 as repayment.

Official's Response:

As mentioned above Hubert Homan paid Butler Township the \$2,665 with his check #1644 receipted on June 18, 2014.

FINDING 2013-002

Finding For Recovery - Vision and Dental Insurance – Repaid Under Audit

Ohio Rev Code Section 505.60 provides that the Township may only reimburse officers or employees if the officer or employee elects not to participate in the township's insurance coverage pursuant to division (A). Specifically, that Section provides in part if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains.

Ohio Rev Code Section 505.601 provide, in part that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains.

2008 Op. Att'y Gen. No. 2008-018 explains that Ohio Rev. Code Section 505.601 specifically limits the circumstances in which a board of township trustees may make such reimbursements, as follows: 1) the township has not procured health care coverage of township personnel under R.C. 505.60; 2) reimbursement is only for each out-of-pocket health care premium the officer or employee incurs for the types of insurance benefits listed in R.C. 505.60(A); and 3) the township adopts a resolution concerning such reimbursement that meets the requirements established by R.C. 505.601.

Pursuant to Resolution No. 122010-2 adopted in December of 2010, the Board of Trustees determined not to procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code and instead opted for a reimbursement plan under ORC 505.601. Therefore, the Township may not offer reimbursement under Ohio Rev. Code Section 505.60.

The Township reimbursed Trustee, Fred Kahlig for health insurance under ORC 505.601 and also procured dental and vision insurance for Mr. Kahlig under ORC 505.60. The dental and vision was paid directly to the vendor by the Township from payroll deductions of the Trustee. Mr. Kahlig was then reimbursed \$1,333 in 2012 and \$1,332 in 2013 from the Road and Bridge Fund for the dental and vision premiums deducted from his payroll by the Township. The Township may not procure health insurance for their trustees and employees under both ORC 505.60 and ORC 505.601.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Fred Kahlig in the amount of \$2,665 and in favor of the Township's Road and Bridge Fund.

Upon notification of the error by the Auditor of State's office, the Township notified Fred Kahlig of the overpayment in 2012 and 2013 for dental and vision insurance premiums in the amount of \$2,665. The Township receipted in \$2,665 to the Township Road and Bridge Fund on June 18, 2014 as repayment.

Official's Response:

As mentioned above Fred Kahlig paid Butler Twp. the \$2,665 with his check #752 on June 18, 2014.

FINDING 2013-003

Finding For Recovery - Vision and Dental Insurance – Repaid Under Audit

Ohio Rev Code Section 505.60 provides that the Township may only reimburse officers or employees if the officer or employee elects not to participate in the township's insurance coverage pursuant to division (A). Specifically, that Section provides in part if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains.

Ohio Rev Code Section 505.601 provides, in part, that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains.

2008 Op. Att'y Gen. No. 2008-018 explains that Ohio Rev. Code Section 505.601 specifically limits the circumstances in which a board of township trustees may make such reimbursements, as follows: 1) the township has not procured health care coverage of township personnel under R.C. 505.60; 2) reimbursement is only for each out-of-pocket health care premium the officer or employee incurs for the types of insurance benefits listed in R.C. 505.60(A); and 3) the township adopts a resolution concerning such reimbursement that meets the requirements established by R.C. 505.601.

Pursuant to Resolution No. 122010-2 adopted in December of 2010, the Board of Trustees determined not to procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code and instead opted for a reimbursement plan under ORC 505.601. Therefore, the Township may not offer reimbursement under Ohio Rev. Code Section 505.60.

The Township reimbursed Trustee, Nicholas Kahlig for health insurance under ORC 505.601 and also procured dental and vision insurance for Mr. Kahlig under ORC 505.60. The dental and vision was paid directly to the vendor by the Township from payroll deductions of the Trustee. Mr Kahlig was then reimbursed \$1,333 in 2012 and \$1,332 in 2013 from the Road and Bridge Fund for the dental and vision premiums deducted from his payroll by the Township. The Township may not procure health insurance for their trustees and employees under both ORC 505.60 and ORC 505.601.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Nicholas Kahlig in the amount of \$2,665 and in favor of the Township's Road and Bridge Fund.

Upon notification of the error by the Auditor of State's office, the Township notified Nicholas Kahlig of the overpayment in 2012 and 2013 for dental and vision insurance premiums in the amount of \$2,665. The Township receipted in \$2,665 back to the Township Road and Bridge Fund on June 18, 2014 as repayment.

Official's Response:

As mentioned above Nicholas Kahlig paid Butler Township the \$2,665 with his check #309 on 6/18/2014.

FINDING 2013-004

GASB 54 Reporting- Material Weakness

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds.

During 2013, the Township classified all of its Special Revenue funds as committed instead of restricted. The Road and Bridge fund should have been the only fund presented as committed, which created an overstatement of \$181,843 in committed fund cash balance on the 2013 financial statements. The Zoning Fund should have also been rolled into the General Fund from the Special Revenue Fund type in 2013 and 2012 as defined in GASB 54. These adjustments and reclassifications are reflected in the accompanying financials statements.

The Township's Fiscal Officer should review the Auditor of State Bulletin 2011-004 and other resources for guidance in correctly classifying their funds and fund balances. The Township should perform a review of the classification of the funds and fund balances prior to completion of the annual financial statements to provide for accuracy of the financial report.

Official's Response:

A copy of this GASB 54 Reporting – Noncompliance and State Bulletin 2011-004 will be reviewed and corrected prior to completion of the 2014 annual financial statements to assure consistency with prior years.

FINDING 2013-005

Allocation of Insurance Premiums – Material Weakness

The 2013 and 2012 payroll certifications for each of three Trustees had a breakdown for their salaries of 25% to the General Fund and 75% to the Road and Bridge Fund. However, the 2013 and 2012 payments for their medical, vision and dental insurance were paid 100% from the Road and Bridge Fund instead of following the same split as payroll.

This resulted in the Road and Bridge Fund paying \$9,134 and \$8,906 in 2013 and 2012 respectively that should have been paid from the General Fund. The accompanying financial statement and Township records have been adjusted to reflect the movement of these expenditures to the General Fund.

The benefits paid to the Trustees should be paid in the same percentages and to the same funds as their payroll certification states as it is part of their salary package to accurately allocate these costs.

Official's Response:

The 2014 distribution of the trustee's salaries is distributed at 25% General Fund and 75% Road & Bridge Fund. Their health insurance payments will be distributed in the same percentage as 25% General Fund & 75% Road & Bridge Fund. It may take a month or several months to correct the proper distribution to get the 25% & 75% as several months have been paid 100% from Road & Bridge in the first several months of 2014. By the end of 2014 their health insurance payment totals will be in proper order with the total distribution of 25% General Fund & 75% Road & Bridge Fund.

In 2014 for the first 5 months the dental & vision was deducted from the trustee's payroll checks and reimbursed to them. The trustees have paid to Butler Township the following amounts to correct the 2014 reimbursements of their dental and vision.

**FINDING 2013-005
(Continued)**

Hubert Homan – 5 months @ \$111.01 = \$555.05 paid by check #1644 on June 18, 2014.

Fred Kahlig – 5 months @ \$111.01 = \$555.05 paid by check #752 on June 18, 2014.

Nicholas Kahlig – 5 months @ \$74.16 = \$370.80 paid by check #309 on June 18, 2014.

The total amount paid to Butler Township is as follows:

Hubert Homan - \$2,665.00 + \$555.05 = \$3,220.05 paid by check #1644 on June 18, 2014.

Fred Kahlig - \$2,665.00 + \$555.05 = \$3,220.05 paid by check #752 on June 18, 2014.

Nicholas Kahlig - \$2,665.00 + \$370.80 = \$3,035.80 paid by check #309 on June 18, 2014.

This corrects all of the amounts as the trustees have now paid all of the 2012/2013 audit amounts plus any dental and vision amounts for 2014. The trustees no longer have dental and vision deducted from their payroll checks and are no longer reimbursed for that amount. The Group Dental and Vision has been cancelled and Butler Township no longer has a Group Plan through Butler Township. They may obtain dental and vision on their own and then be reimbursed for that amount which would then put Butler Township with only a reimbursement insurance plan.

This page intentionally left blank.



Dave Yost • Auditor of State

BUTLER TOWNSHIP

MERCER 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
JULY 29, 2014**