



Dave Yost • Auditor of State

**BUTLER TOWNSHIP
MONTGOMERY COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2016	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types For the Year Ended December 31, 2016	4
Notes to the Financial Statements For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2015	17
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types For the Year Ended December 31, 2015	18
Notes to the Financial Statements For the Year Ended December 31, 2015	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Schedule of Findings.....	33
Summary Schedule of Prior Audit Findings (Prepared by Management)	36

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Butler Township
Montgomery County
3510 Sudachi Drive
Vandalia, Ohio 45414

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Butler Township, Montgomery County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 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 (GAAP), to satisfy these requirements.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Butler Township, Montgomery County as of December 31, 2016 and 2015, 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 discussed in 2015 Note 13 to the financial statements, the January 1, 2015 fund balances were restated. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, 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

December 12, 2017

Butler Township
Montgomery County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals
Cash Receipts			
Property and Other Local Taxes	\$851,901	\$5,906,570	\$6,758,471
Charges for Services		560,363	560,363
Licenses, Permits and Fees	160,625	35,779	196,404
Fines and Forfeitures	8,442	1,555	9,997
Intergovernmental	196,539	1,497,053	1,693,592
Special Assessments	2,204	103,868	106,072
Earnings on Investments	19,058	660	19,718
Miscellaneous	95,360	101,416	196,776
<i>Total Cash Receipts</i>	<u>1,334,129</u>	<u>8,207,264</u>	<u>9,541,393</u>
Cash Disbursements			
Current:			
General Government	802,331		802,331
Public Safety		3,649,575	3,649,575
Public Works	22,476	697,332	719,808
Health		19,359	19,359
Intergovernmental		923,331	923,331
Other		7,633	7,633
Capital Outlay	204,574	659,943	864,517
Debt Service:			
Principal Retirement		385,000	385,000
Interest and Fiscal Charges		295,360	295,360
<i>Total Cash Disbursements</i>	<u>1,029,381</u>	<u>6,637,533</u>	<u>7,666,914</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>304,748</u>	<u>1,569,731</u>	<u>1,874,479</u>
Other Financing Receipts (Disbursements)			
Premium and Accrued Interest on Debt	30,153		30,153
Sale of Capital Assets	36	53,264	53,300
Advances In	44,214		44,214
Advances Out		(44,214)	(44,214)
Transfers In		400,000	400,000
Transfers Out	(400,000)		(400,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(325,597)</u>	<u>409,050</u>	<u>83,453</u>
<i>Net Change in Fund Cash Balances</i>	(20,849)	1,978,781	1,957,932
<i>Fund Cash Balances, January 1</i>	<u>2,848,513</u>	<u>7,932,823</u>	<u>10,781,336</u>
Fund Cash Balances, December 31			
Restricted		9,911,604	9,911,604
Assigned	18,333		18,333
Unassigned (Deficit)	2,809,331		2,809,331
<i>Fund Cash Balances, December 31</i>	<u>\$2,827,664</u>	<u>\$9,911,604</u>	<u>\$12,739,268</u>

See accompanying notes to the basic financial statements

Butler Township
Montgomery County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$702,824
<i>Total Operating Cash Receipts</i>	<i>702,824</i>
Operating Cash Disbursements	
Salaries	61,071
Employee Fringe Benefits	19,660
Purchased Services	519,069
Supplies and Materials	1,763
Other	1,882
Capital Outlay	594
<i>Total Operating Cash Disbursements</i>	<i>604,039</i>
<i>Net Change in Fund Cash Balances</i>	<i>98,785</i>
<i>Fund Cash Balances, January 1</i>	<i>258,857</i>
<i>Fund Cash Balances, December 31</i>	<i>\$357,642</i>

See accompanying notes to the basic financial statements

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, emergency medical services, police protection, waste collection services and zoning. The Township contracts with the City of Dayton to provide EMS Services to the Dayton International Airport.

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

B. Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in joint ventures, jointly governed organizations and a public entity risk pool. Notes 11, 12 and 13 to the financial statements provide additional information for these entities.

C. Basis of Presentation

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

D. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Gas Tax Fund: The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund: The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

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

TIF Fund: A Tax Increment Financing (TIF) is a re-direction of property taxes into a special fund that is utilized to pay-off bonds sold for public improvements.

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 2.

F. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Money market mutual funds are recorded at share values the mutual funds report.

G. Capital Assets

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

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.

I. Fund Balance

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

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

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

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2. Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,388,076	\$1,408,532	(\$20,456)
Special Revenue	8,438,636	8,660,528	(221,892)
Enterprise	696,968	702,824	(5,856)
Total	\$10,523,680	\$10,771,884	(\$248,204)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,891,330	\$1,439,266	\$452,064
Special Revenue	8,419,381	6,747,283	1,672,098
Enterprise	680,814	671,227	9,587
Total	\$10,991,525	\$8,857,776	\$2,133,749

3. Deposits and Investments

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

Demand deposits	2016 \$8,068,090
Total deposits	8,068,090
Money Market Mutual Funds	5,028,820
Total deposits and investments	\$13,096,910

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

3. Deposits and Investments (Continued)

Deposits

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

Investments

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

4. Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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. Interfund Balances

During 2006, the Township sold \$503,500 in Tax Increment Revenue Bonds to its own General Fund. The interest rate is 5%. This debt is not presented in Note 9 as the improvement for infrastructure has been made and financed by the General Fund. As the additional tax increment financing revenue is received from the County Auditor, this debt is being repaid to the General Fund. The following table details the amortization schedule of the above debt.

Year	TIF – Township Bond	
	Principal	Interest
2017	\$27,143	\$17,070
2018	\$28,500	\$15,713
2019	\$29,926	\$14,288
2020	\$31,421	\$12,792
2021	\$32,993	\$11,221
2022 – 2026	\$191,421	\$29,646
Totals	\$341,404	\$100,730

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.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

6. Risk Management (Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$21,523.

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.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

6. Risk Management (Continued)

<u>2016 Contributions to OTARMA</u>
\$47,829

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. Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement Systems (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed 14% of participants gross salaries. The Township Police Officers contributed 13% of their gross salaries and the Township contributed 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

7. Defined Benefit Pension Plans (Continued)

Ohio Revised Code provides statutory authority for member and employer contributions. For 2016 member and contribution rates were consistent across all three plans, law enforcement and public safety divisions exist only within the traditional plan. In 2016, member contribution rates were 10 percent, for members in state and local classifications. Public safety and law enforcement rates were 13.0 percent respectively. The Township's contribution rate for 2016 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Township contribution was 18.10 percent of covered payroll. The Townships' contributions for the year ending December 31, 2016, were \$277,130.

Ohio Police and Fire Retirement System

Township certified full-time Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include post-retirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages; the Township contributed an amount equal to 24% of full-time firefighters' wages. The Township has paid all contributions required through December 31, 2016.

OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 12.25 percent of annual covered salary; the Township is required to contribute 24 percent for firefighters. Contribution rates are established by state statute. The Townships' contributions for firefighters for the year ending December 31, 2016 were \$233,434.

Social Security

Some Township employees contribute to Social Security; this plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

8. Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

9. Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Towne Center - Morris TIF	\$1,085,000	4.6%
TIF - Cloverleaf Road	\$2,021,930	4.22%
Bonds - Admn/Police Building	\$2,440,000	2-3.375%
Bond Refinance	\$865,000	2.30%
Fire Staton Remodel	\$2,125,000	2-3.25%
Total	\$8,536,930	

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

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

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

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

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

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

9. Debt (Continued)

Year	Tax Increment Bonds (2) Towne Center – Morris TIF	
	Principal	Interest
2017	\$80,000	\$49,910
2018	\$80,000	\$46,230
2019	\$85,000	\$42,550
2020	\$90,000	\$38,640
2021	\$95,000	\$34,500
2022-2026	\$530,000	\$103,730
2027	\$125,000	\$5,750
Totals	\$1,085,000	\$321,310

Year	TIF – Cloverleaf Road	
	Principal	Interest
2017	\$115,000	\$85,325
2018	\$120,000	\$80,472
2019	\$125,000	\$75,408
2020	\$135,000	\$70,133
2021	\$140,000	\$64,436
2022 – 2026	\$785,000	\$229,131
2027 – 2030	\$601,930	\$55,607
Totals	\$2,021,930	\$660,512

Year	TIF – Admin/Police Building	
	Principal	Interest
2017	\$130,000	\$72,020
2018	\$140,000	\$69,420
2019	\$145,000	\$66,620
2020	\$145,000	\$63,720
2021	\$150,000	\$59,370
2022 – 2026	\$805,000	\$227,250
2027 – 2031	\$925,000	\$94,220
Totals	\$2,440,000	\$652,620

Year	Fire Levy – Fire Station Remodel	
	Principal	Interest
2017	\$110,000	\$55,913
2018	\$115,000	\$53,713
2019	\$115,000	\$51,413
2020	\$120,000	\$49,113
2021	\$120,000	\$46,713
2022 – 2026	\$645,000	\$192,813
2027 – 2031	\$740,000	\$98,213
2032	\$160,000	\$5,200
Totals	\$2,125,000	\$553,091

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

9. Debt (Continued)

Year	TIF – Harson Bond Refinance	
	Principal	Interest
2017	\$80,000	\$19,895
2018	\$80,000	\$18,055
2019	\$80,000	\$16,215
2020	\$85,000	\$14,375
2021	\$85,000	\$12,420
2022 – 2026	\$455,000	\$31,970
Totals	\$865,000	\$112,930

10. Contingent Liabilities

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

11. Joint Ventures

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

12. Jointly Governed Organizations

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

13. Public Entity Risk Pool

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a group self-insurance pool, through the Ohio Township Association to provide property and liability coverage with coverage as follows:

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

13. Public Entity Risk Pool (Continued)

OTARMA was formed in 1987 for the primary purpose of providing Ohio Townships with an alternative to traditional insurance. Historically, the property and casualty insurance industry failed to provide the consistency of pricing and coverage needed by townships and other public entities. The national insurance crisis of the mid-1980's, in which public entities were unable to purchase insurance at any cost, initiated the formation of group self-insurance pools.

14. Subsequent Events

The Board of Trustees approved the purchase of a 2017 Fire Engine per Resolution #16-47, totaling \$494,977. A payment of \$250,000 was issued in 2016 with the remaining balance due in 2017. The purchase was approved in the budget by the Board of Trustees accordingly.

15. Interfund Balances

During 2006, the Township sold \$503,500 in Tax Increment Revenue Bonds to its own General Fund. The interest rate is 5%. This debt is not presented in Note 9 as the improvement for infrastructure has been made and financed by the General Fund. As the additional tax increment financing revenue is received from the County Auditor. This debt is being repaid to the General Fund. The following table details the amortization schedule of the above debt.

Year	TIF – Township Bond	
	Principal	Interest
2017	\$27,143	\$17,070
2018	\$28,500	\$15,713
2019	\$29,926	\$14,288
2020	\$31,421	\$12,792
2021	\$32,993	\$11,221
2022 – 2026	\$191,421	\$29,646
Totals	\$341,404	\$100,730

Butler Township
Montgomery County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Totals
Cash Receipts			
Property and Other Local Taxes	\$923,144	\$5,118,376	\$6,041,520
Charges for Services	0	462,419	462,419
Licenses, Permits and Fees	153,368	20,779	174,147
Fines and Forfeitures	5,330	562	5,892
Intergovernmental	108,747	629,594	738,341
Special Assessments	1,812	108,075	109,887
Earnings on Investments	3,578	118	3,696
Miscellaneous	54,303	84,252	138,555
<i>Total Cash Receipts</i>	<u>1,250,282</u>	<u>6,424,175</u>	<u>7,674,457</u>
Cash Disbursements			
Current:			
General Government	956,547		956,547
Public Safety		3,656,255	3,656,255
Public Works	19,079	732,140	751,219
Health		32,274	32,274
Intergovernmental		547,662	547,662
Other		45,303	45,303
Capital Outlay	19,292	739,159	758,451
Debt Service:			
Principal Retirement		397,900	397,900
Interest and Fiscal Charges		308,291	308,291
<i>Total Cash Disbursements</i>	<u>994,918</u>	<u>6,458,984</u>	<u>7,453,902</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>255,364</u>	<u>(34,809)</u>	<u>220,555</u>
Other Financing Receipts (Disbursements)			
Premium and Accrued Interest on Debt	31,415		31,415
Sale of Capital Assets	5,035	6,911	11,946
Transfers In	0	340,000	340,000
Transfers Out	(340,000)	0	(340,000)
Advances In	49,547	5,333	54,880
Advances Out	(5,333)	(49,547)	(54,880)
Other Financing Sources	950	49	999
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(258,386)</u>	<u>302,746</u>	<u>44,360</u>
<i>Net Change in Fund Cash Balances</i>	(3,022)	267,937	264,915
<i>Fund Cash Balances, January 1 (restated)</i>	<u>2,851,535</u>	<u>7,664,886</u>	<u>10,516,421</u>
Fund Cash Balances, December 31			
Restricted		7,932,823	7,932,823
Assigned	473,175		473,175
Unassigned (Deficit)	2,375,338		2,375,338
<i>Fund Cash Balances, December 31</i>	<u>\$2,848,513</u>	<u>\$7,932,823</u>	<u>\$10,781,336</u>

See accompanying notes to the basic financial statements

Butler Township
Montgomery County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2015

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$680,381
<i>Total Operating Cash Receipts</i>	<i>680,381</i>
Operating Cash Disbursements	
Salaries	58,700
Employee Fringe Benefits	18,476
Purchased Services	514,606
Supplies and Materials	1,533
Other	1,909
<i>Total Operating Cash Disbursements</i>	<i>595,224</i>
<i>Operating Income (Loss)</i>	<i>85,157</i>
<i>Fund Cash Balances, January 1 (restated)</i>	<i>173,700</i>
<i>Fund Cash Balances, December 31</i>	<i>\$258,857</i>

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection & emergency medical services, police protection and zoning. The Township contracts with the City of Dayton to provide EMS services to the Dayton Airport. The Township participates in a public entity risk pool, joint ventures and jointly governed organizations. Notes 7, 10 and 11 to the financial statements provide 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money Market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The 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.

Police District Fund – This fund receives property tax money for the operation of the Township’s Police Department.

Fire District Fund – This fund receives property tax money and revenue generated from the Emergency Medical Services it provides.

Harson TIF Fund – A Tax Increment Financing is a re-direction of property taxes into a special fund that is used to account for Payments in Lieu of Taxes that are used to pay off bonds sold to make public improvements.

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

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

Waste Disposal Fund – This fund receives payments for the Garbage and Waste Collection in the Refuse Department.

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 by resolution. 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 approve estimated resources.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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 re-appropriated.

A summary of 2015 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. Nonspendable

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

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.

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

I. Interfund Loans

The Townships General Fund purchased debt from one of the Townships TIF funds. On the Combined Statements of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis), the repayment of this debt is classified as advances in and advances out and not payments of principal or interest.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015
Demand deposits	\$6,017,735
Total deposits	\$6,017,735
Money Market Mutual Fund	\$5,022,458
Total investments	\$5,022,458
Total deposits and investments	\$11,040,193

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

At December 31, 2015, the carrying amount of the townships' deposits was \$6,017,735 and the bank balance was \$6,046,229.

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2015 as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,504,614	\$1,337,279	(\$167,335)
Special Revenue	10,261,419	6,776,468	(3,484,951)
Enterprise	677,648	680,381	2,733
Total	\$12,443,681	\$8,794,128	(\$3,649,553)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,552,254	\$1,370,661	\$181,593
Special Revenue	7,940,443	6,585,924	1,354,519
Enterprise	657,661	596,463	61,198
Total	\$10,150,358	\$8,553,048	\$1,597,310

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. DEBT

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
Tax Increment Revenue Bonds	\$1,160,000	4.6%
TIF - Cloverleaf Road	\$2,131,930	4.22%
Bonds - Admin/Police Building	\$2,455,000	2 - 3.375%
Harson Bonds Refinance	\$940,000	2.30%
Fire Station Remodel	\$2,235,000	2 - 3.25%
Total	\$8,921,930	

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

5. DEBT (Continued)

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

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

PNC Bank Emergency Equipment – The Township purchased emergency equipment with these funds at an interest rate of 4.91%. Principal payments were made annually; with semi-annual interest payments. This loan was paid off during 2015.

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

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

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

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

Year	Tax Increment Bonds Towne Center – Morris TIF	
	Principal	Interest
2016	75,000	53,360
2017	80,000	49,910
2018	80,000	46,230
2019	85,000	42,550
2020	90,000	38,640
2021-2025	510,000	127,190
2026-2027	240,000	16,790
Totals	<u>\$1,160,000</u>	<u>\$374,670</u>

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

5. DEBT (Continued)

Year	TIF – Cloverleaf Road	
	Principal	Interest
2016	110,000	89,967
2017	115,000	85,325
2018	120,000	80,472
2019	125,000	75,408
2020	135,000	70,133
2021 – 2025	755,000	260,992
2026 – 2030	771,930	88,183
Totals	\$2,131,930	\$750,480

Year	TIF – Admin/Police Building	
	Principal	Interest
2016	15,000	72,320
2017	130,000	72,020
2018	140,000	69,420
2019	145,000	66,620
2020	145,000	63,720
2020 – 2025	785,000	250,800
2026 – 2030	900,000	123,459
2031	195,000	6,581
Totals	\$2,455,000	\$724,940

Year	Fire Levy – Fire Station Remodel	
	Principal	Interest
2016	110,000	58,112
2017	110,000	55,912
2018	115,000	53,712
2019	115,000	51,412
2020	120,000	49,112
2021 – 2025	630,000	207,343
2026 – 2030	720,000	120,158
2031 – 2032	315,000	15,439
Totals	\$2,235,000	\$611,200

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

5. DEBT (Continued)

Year	TIF – Harson Bond Refinance	
	Principal	Interest
2016	75,000	21,620
2017	80,000	19,895
2018	80,000	18,055
2019	80,000	16,215
2020	85,000	14,375
2021 – 2025	445,000	42,205
2026	95,000	2,185
Totals	\$940,000	\$134,550

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 2015, OP&F participants contributed 11.5% of their wages from January 1 to June 30 and 12.25% from July 1 to December 31. For 2015, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2015, OPERS members contributed 10 and 13%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 18.1%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

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

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

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

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

7. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015:

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$22,262.

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>2015</u>
	\$42,683

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

7. RISK MANAGEMENT (Continued)

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.

8. CONTINGENT LIABILITIES

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

9. INTERFUND BALANCES

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

Year	TIF – Township Bond	
	Principal	Interest
2016	25,851	18,363
2017	27,143	17,070
2018	28,500	15,713
2019	29,926	14,288
2020	31,421	12,792
2021 – 2025	182,306	38,761
2026	42,108	2,105
Totals	<u>\$367,255</u>	<u>\$119,092</u>

10. JOINT VENTURES

Butler Township also has an agreement with the City of Vandalia to provide joint services for fire protection and EMS. The agreement was finalized in 2012 and implemented in 2013. This agreement allows for joint staffing of the Butler Township Fire Station on Little York and the Vandalia Fire Station on Peters Pike. Each station has two employees from other jurisdictions that will help respond to calls for that particular service area in the City or Township which may include joint staffing of equipment.

There is no money that goes back and forth between agencies. It was agreed that each entity would take care of their own fire stations and equipment and continue to pay their own employees. The agreement benefits each entity as Butler Township has closer access to properties in the northeastern part of the township and Vandalia has closer access to properties south of Butler Township (south of Benchwood).

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

11. JOINTLY GOVERNED ORGANIZATIONS

The Township participates in three (3) jointly governed organizations with the City of Dayton known as the Butler Township – Dayton Joint Economic Development District; and the City of Vandalia known as the Butler Township – Vandalia Joint Economic Development District (JEDD), which the Township and the Cities have entered into the contracts to create and provide for the operation of the JEDD agreement in accordance with Sections 715.72 through 715.83 of the Revised Code for their mutual benefit and for the benefit of their residents and the State of Ohio. The third partnership is also with the City of Vandalia known as the Butler Township – City of Vandalia Joint Economic Development Zone (JEDZ). The Township and City have entered into the contracts to create and provide for the operation of the JEDZ agreement in accordance with Section 715.691 of the Ohio Revised Code. (As mentioned in note 13) A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Butler Township – Dayton JEDD, the Butler Township – Vandalia JEDD and the Butler Township – Vandalia JEDZ each receive a separate audit every two years. The Township and the Cities do receive money from each JEDD and JEDZ. According to the agreement with the City of Dayton, the JEDD retains 20% of the funds for JEDD activities and the township and city split the remaining 80% in half. According to the agreement with the City of Vandalia, the JEDD and JEDZ retain .5% and the city receives 15% of what is left over and the township receives 85% or what is left over after paying for insurance and audits. The Township did pay for some start-up costs for the JEDD and JEDZ with Vandalia as it relates to software purchases for the tax collection process. All monies received by the JEDD's are deposited into the General Fund.

The JEDZ with the City of Vandalia was approved by the voters via ballot during the August special election and went into effect on January 1, 2014. All monies collected through the JEDZ will be deposited into the Police Fund and General Fund in the following years beginning in 2015.

12. SUBSEQUENT EVENTS

The Board of Trustees approved the purchase of a 2017 Fire Engine per Resolution #16-47, totaling \$494,977. A payment of \$250,000 was issued in 2016 with the remaining balance due in 2017. The purchase was approved in the budget by the Board of Trustees accordingly.

13. RESTATEMENT OF FUND BALANCE

During 2015, the Township corrected the reporting of the Zoning, and Garbage and Waste Disposal District funds resulting in the following restatement of beginning fund balances:

	General Fund	Special Revenue Funds	Enterprise Funds
Fund Balance December 31, 2014	\$2,750,383	\$7,939,738	\$ 0
Fund Balance Restatement	101,152	(274,852)	173,700
Restated Fund Balance December 31, 2014	\$2,851,535	\$7,664,886	\$173,700

This page intentionally left blank.



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
Montgomery County
3510 Sudachi Drive
Vandalia, Ohio 45414

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Butler Township, Montgomery County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated December 12, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the Township restated its January 1, 2015 fund balances.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 12, 2017

**BUTLER TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

<i>Finding Number</i>	2016-001
-----------------------	----------

MATERIAL WEAKNESS

The Township presented their statements following the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis, recording revenues and expenditures when paid rather than when a liability is incurred. These statements presented receipts and disbursements by aggregated fund type.

The following material errors were noted on the 2015 financial statements that required adjustments to correctly present them:

1. The Zoning Fund was presented as part of the Special Revenue funds rather than the General Fund. This resulted in revenues, expenditures, beginning fund balance, and ending fund balance being overstated in the Special Revenue fund types and understated in the General Fund by \$21,279, \$23,100, \$101,152, and \$99,331, respectively.
2. The Township managed the garbage collection process within the Township. It contracted with the third party vendor to haul garbage and billed its residents for the services. Since the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, the Garbage and Waste fund should be reported as an enterprise fund on the Township's financial statements. The Township reported the Garbage and Waste Fund under the Special Revenue fund type. This resulted in revenues, expenditures, beginning fund balance, and ending fund balance being overstated in the Special Revenue fund types and understated in the Enterprise Fund types by \$680,381, \$595,224, \$173,700, and \$258,857, respectively.
3. The 2016 appropriations exceeded the 2016 estimated resources by \$373,844 in the Township's General Fund. According to GASB Codification Section 1800.176, this represents a planned usage of the current year's fund balance in the following year and that fund balance should be presented as assigned rather than unassigned. This resulted in assigned fund balance in the General Fund being understated by \$373,844 and unassigned fund balance being overstated by the same amount.
4. Payment in lieu of taxes made to the Vandalia-Butler School District totaling \$547,662 from Special Revenue Funds were presented on the financial statements as interest and fiscal charges instead of intergovernmental expenditures.
5. \$44,214 in payments made on a manuscript debt were posted as \$24,620 in principal payments and \$19,594 as interest and fiscal charges in the Special Revenue Funds instead of advances out. The General Fund reported these repayments as transfers-in instead of advances in. This resulted in transfers-in not equaling transfers-out on the financial statements.

Additionally, the following material errors were noted on the 2016 financial statements that required adjustments to correctly present them:

1. \$93,121 received from the Vandalia-Butler Township Joint Economic Development District (JEDD) was classified as property and other local taxes in the general fund. Since the JEDD levied the taxes and passed revenues to the Township, the Township should have reported these receipts as intergovernmental receipts. Similarly, the Township posted \$440,328 from the Butler Township Miller Lane Business District Joint Economic Development Zone (JEDZ) as property and other local tax revenue in the special revenue funds instead of intergovernmental receipts.

FINDING NUMBER 2016-001
(Continued)

2. The Zoning Fund was presented as part of the Special Revenue funds rather than the General Fund. This resulted in expenditures, beginning fund balance, and ending fund balance being overstated in the Special Revenue fund types and understated in the General Fund by \$80,998, \$99,331, and \$18,333, respectively.
3. As noted under 2015 errors, the Garbage and Waste Fund was presented as a Special Revenue fund instead of Enterprise Fund. This resulted in revenues, expenditures, beginning fund balance, and ending fund balance being overstated in the Special Revenue fund types and understated in the Enterprise Fund types by \$702,824, \$604,039, \$258,857, and \$357,642, respectively.
4. Payment in lieu of taxes made to the Vandalia-Butler School District totaling \$923,331 from the Special Revenue Funds were presented on the financial statements as interest and fiscal charges instead of intergovernmental expenditures.
5. \$44,214 in payments made on a manuscript debt were posted as \$25,851 in principal payments and \$18,363 as interest and fiscal charges in the Special Revenue Funds instead of advances out. The General Fund reported these repayments as transfers-in instead of advances in. This resulted in the transfers-in not equaling to the transfers-out on the financial statements.

Eight other immaterial errors ranging from \$8,432 to \$357,070 were noted for 2015 and 2016 that have been reported to the Township's management in the Summary of Unadjusted Differences form. The Township moved the remaining balance in the Zoning fund into the General fund to correctly report zoning activity for 2017. The Township is also in the process of moving Garbage and Waste fund from Special Revenue to Enterprise fund.

Policies and procedures should be established and implemented to verify that financial transactions are posted to the correct account and line item. Additionally, the Township should establish and implement policies and procedures to verify that all reporting requirements are properly incorporated in the financial statements. Failure to do so could result in material misstatements on the financial statements.

Official's Response: It is the Township's standard procedure to do its due diligence to check with the State Auditor's Office and UAN when any new fund is established or created. The Township is audited every two years and the misclassifications of funds, as specified in this finding, have never been brought to the attention of the Township in past audits.

- The Zoning Fund was a Special Revenue Fund since the 1960's when the Zoning Resolution was enacted. In 2015, it was determined by the Administrator at that time, that the fund was not needed and the remaining funds were transferred from the Zoning Fund to the General Fund in early 2017. There is no longer a Zoning Fund, all accounting pertaining to zoning activities is presented through the General Fund, which eliminates this misclassification.
- Payment to the Vandalia-Butler School District from the TIF funds have been classified as debt payments instead of an intergovernmental expenditure, since their establishment. The Township has reclassified those expenditures as suggested.
- Debt re-payments from the TIF to the General Fund were classified as transfers-in rather than advances-in in the General Fund, respectively, the payments were classified as debt payments from the TIF fund rather than advances-out. These reclassifications have been satisfied as recommended.
- JEDD and JEDZ receipts have historically been classified as property and other local taxes in the general fund. During the audit, the auditor's suggested that this revenue should be classified as intergovernmental receipts and the Township has reclassified the receipts as suggested.
- The Township was not aware of the assigned vs. unassigned classifications in the UAN. The Township will contact the Auditor's Office at year end when the financial statements are completed, to make sure that the fund balance is assigned appropriately in the UAN.

FINDING NUMBER 2016-001
(Continued)

- The Refuse Collection District was created nearly 20 years ago, in 1998, and the Refuse Fund was set up at that time as a Special Revenue Fund. The Township has never been notified in past audits that the fund should be classified as an Enterprise Fund. The Township has created the Enterprise Fund and we plan to transfer the funds with the end of the year appropriations.

Trustees
 Kenneth M. Betz
 Joseph E. Flanagan Jr.
 Michael Lang

Fiscal Officer
 Mark Adams



Administrator
 Erika Vogel

Fire Chief
 Dan Alig

Chief of Police
 John M. Porter

Butler Township Government Center

BUTLER TOWNSHIP MONTGOMERY COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Receipts, disbursements, and fund balances were misclassified	Not Corrected – Repeated as Finding 2016-001	The Township had misclassifications in the financial statements during the fiscal year.



Dave Yost • Auditor of State

BUTLER TOWNSHIP

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2017**